



## Town Council Agenda Report

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Date: August 11, 2020 Item No. 10

To: Honorable Mayor and Town Council

Subject: APPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE APPLE VALLEY PUBLIC FINANCING AUTHORITY TAX ALLOCATION REVENUE BONDS (APPLE VALLEY REDEVELOPMENT PROJECT AREAS), SERIES 2020A TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FINAL UNDER RULE 15C2-12, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

From: Douglas Robertson, Executive Director

Submitted by: Sydnie Harris, Treasurer  
Finance Department

Budgeted Item:  Yes  No  N/A

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### RECOMMENDED ACTION

#### **(Town Council and Successor Agency)**

Staff recommends that the Successor Agency adopt Resolution SA 2020-02 approving the form of the Preliminary Official Statement for the Apple Valley Public Financing Authority Tax Allocation Revenue Bonds (Apple Valley Redevelopment Project Areas), Series 2020A to deem the Preliminary Official Statement final under Rule 15c2-12, and authorizing certain other actions in connection therewith; and

#### **(Town Council and Public Financing Authority)**

Staff recommends that the Apple Valley Public Financing Authority (the "Authority") adopt Resolution PFA 2020-02 approving the form of the Preliminary Official Statement for the Apple Valley Public Financing Authority Tax Allocation Revenue Bonds (Apple Valley Redevelopment Project Areas), Series 2020A to deem the Preliminary Official Statement final under Rule 15c2-12, and authorizing certain other actions in connection therewith.

### SUMMARY:

On June 9, 2020 the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the "Agency") and the Apple Valley Public Financing Authority authorized the execution and delivery of a Project Area 2 Loan Agreement and an Apple Valley-VVEDA Loan Agreement and the issuance of the Apple Valley Public Financing Authority

Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A (the “2020 Bonds”), by Resolution No. 2020-01 and Resolution No. PFA 2020-01, respectively .

On June 11, 2020, the San Bernardino Countywide Oversight Board (“CWOB”) approved the execution and delivery of the Loan Agreements and issuance of the 2020 Bonds. With the authorization to move forward, the California Department of Finance (“DOF”) 60-day review process was initiated on June 24, 2020. Staff and the Agency’s financing team are ready to present the Preliminary Official Statement to the Successor Agency for consideration and approval prior to pricing the refunding bonds.

### **DISCUSSION:**

The proposed 2020 Bonds, which will refund three series of Prior Bonds (the 2005 VVEDA TABs, 2007 VVEDA TABs and 2007 Project Area 2 TABs), is estimated to have a total par amount of \$30.6 million with a final maturity of 6/1/2037.

The final interest rate structure will be determined when the 2020 Bonds are priced and sold. The 2020 Bonds are expected to be priced and sold in August 2020 with the bond closing occurring in September 2020. Based on market conditions as of July 14, 2020, the refinancing is estimated to result in \$7.6 million of net present values savings, or 19.5% of refunded par. These estimates are based on an upfront savings structure with savings beginning in fiscal year 2022. Previously, as presented at the June 9<sup>th</sup> Meeting, the underwriter projected \$5.3 million in net present values savings, or 13.6% of refunded par. The increase in estimated savings is due to improved conditions in tax-exempt interest rates. The final total level of savings will depend upon market conditions at the time of sale. Estimated annual savings will become available after the payment of enforceable obligations as approved on the Recognized Obligation Payment Schedule (“ROPS”) and will be distributed among various taxing entities such as San Bernardino County, school districts, and the Town of Apple Valley.

The proposed Resolutions of the Successor Agency and the Authority approve the form of a Preliminary Official Statement in connection with the 2020 Bonds and authorizes certain other actions with respect thereto.

- Preliminary Official Statement Stradling Yocca Carlson & Rauth, the Successor Agency’s Bond Counsel and Disclosure Counsel, has prepared the form of a Preliminary Official Statement (the “POS”) to be used in marketing the 2020 Bonds. The POS was prepared based on information provided by and in coordination with Urban Futures, Incorporated (Municipal Advisor), RSG, Inc. (Fiscal Consultant), Stifel, Nicolaus & Company, Incorporated (Underwriter), and Successor Agency staff.
- The POS is the “offering document” for the Bonds. The Successor Agency Board has an obligation to ensure that the POS includes all information that would be material to a prospective investor’s decision whether to purchase the Bonds. While the Successor Agency’s legal counsel, consultants, and the Underwriter have

participated in preparing the POS, the Successor Agency Board and staff are ultimately responsible for ensuring that the POS is accurate, contains no misleading information and does not omit any information necessary to make the POS not misleading to investors.

**FISCAL IMPACT:**

Based on market conditions as of July 14, 2020, it is estimated that the refunding of the Prior Bonds will result in \$7.6 million in net present values savings, or 19.5% of refunded par. Savings would be distributed among various taxing entities. Final savings achieved will not be determined until the sale of the 2020 Bonds. These estimates are based on an upfront savings structure with savings beginning in fiscal year 2022.

**ATTACHMENTS:**

Attachment A: Successor Agency Resolution SA 2020-02

Attachment B: Authority Resolution PFA 2002-02

Attachment C: Preliminary Official Statement

**SUCCESSOR AGENCY**

**RESOLUTION NO. SA 2020-02**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY APPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE APPLE VALLEY PUBLIC FINANCING AUTHORITY TAX ALLOCATION REVENUE REFUNDING BONDS (APPLE VALLEY REDEVELOPMENT PROJECT AREAS), SERIES 2020A TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FINAL UNDER RULE 15c2-12, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the “Successor Agency”) authorized the execution and delivery of a Project Area 2 Loan Agreement and an Apple Valley-VVEDA Loan Agreement, the loan payments under which will secure payment of the Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A (the “2020 Bonds”), by Resolution No. 2020-01 (the “Authorizing Resolution”), at its meeting on June 9, 2020; and

**WHEREAS**, the Successor Agency wishes at this time to approve the Preliminary Official Statement for the 2020 Bonds to deem the Preliminary Official Statement final within the meaning of Rule 15c2-12 of the Security and Exchange Act of 1934 (“Rule 15c2-12”); and

**WHEREAS**, the San Bernardino Countywide Oversight Board has approved the issuance of the 2020 Bonds by its Resolution No. 2020-29 at its meeting on June 11, 2020; and

**WHEREAS**, initially capitalized terms used in this resolution without definition have the meanings set forth in the Authorizing Resolution; and

**NOW THEREFORE, THE BOARD OF DIRECTORS OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY, DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 1.** The Preliminary Official Statement relating to the 2020 Bonds (the “Preliminary Official Statement”), in the form presented at this meeting and on file with the Secretary, is hereby approved and deemed final for the purposes of Rule 15c2-12. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the 2020 Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary

by the City Manager of the City, the Finance Director of the City, or any other Authorized Officer (defined in the Authorizing Resolution) to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

**Section 2.** The preparation and delivery of an Official Statement, and its use by the Apple Valley Public Financing Authority and the Underwriter, in connection with the offering and sale of the 2020 Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond and Disclosure Counsel or the Underwriter and approved by any Authorized Officer of the Successor Agency, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Successor Agency, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

**Section 3.** Each of the Authorized Officers, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the 2020 Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Loan Agreements, the Bond Purchase Agreement, the Escrow Agreements, the Continuing Disclosure Certificate, the Authorizing Resolution, this Resolution and any such instruments.

**Section 4.** This Resolution shall take effect immediately upon its adoption by the governing board of the Successor Agency, and the Secretary shall certify the vote adopting this resolution.

**APPROVED AND ADOPTED** by the Successor Agency to the Redevelopment Agency of the Town of Apple Valley, this 11<sup>th</sup> day of August, 2020.

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Chair, Scott Nassif

ATTESTED:

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Secretary, La Vonda M-Pearson

## RESOLUTION NO. PFA 2020-02

### RESOLUTION OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY APPROVING THE FORM OF THE PRELIMINARY OFFICIAL STATEMENT FOR THE AUTHORITY'S TAX ALLOCATION REVENUE REFUNDING BONDS (APPLE VALLEY REDEVELOPMENT PROJECT AREAS), SERIES 2020A TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FINAL UNDER RULE 15c2-12, AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

**WHEREAS**, the Apple Valley Public Financing Authority (the "Authority") authorized the issuance of the Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A (the "2020 Bonds"), by Resolution No. PFA 2020-01 (the "Authorizing Resolution"), at its meeting on June 9, 2020; and

**WHEREAS**, the Authority wishes at this time to approve the Preliminary Official Statement for the 2020 Bonds to deem the Preliminary Official Statement final within the meaning of Rule 15c2-12 of the Security and Exchange Act of 1934 ("Rule 15c2-12"); and

**WHEREAS**, initially capitalized terms used in this resolution without definition have the meanings set forth in the Authorizing Resolution; and

### **NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE APPLE VALLEY PUBLIC FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:**

**Section 5.** The Preliminary Official Statement relating to the 2020 Bonds (the "Preliminary Official Statement"), in the form presented at this meeting and on file with the Secretary, is hereby approved and deemed final for the purposes of Rule 15c2-12. The Underwriter is hereby authorized to distribute the Preliminary Official Statement to prospective purchasers of the 2020 Bonds in substantially the form hereby approved, together with such additions thereto and changes therein as are determined necessary by the Authority Executive Director, the Authority Treasurer, or any other Authorized Officer (defined in the Authorizing Resolution) to make the Preliminary Official Statement final as of its date for purposes of Rule 15c2-12, including, but not limited to, such additions and changes as are necessary to make all information set forth therein accurate and not misleading.

**Section 6.** The preparation and delivery of an Official Statement, and its use by the Authority and the Underwriter, in connection with the offering and sale of the 2020 Bonds, is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be requested by Bond and Disclosure Counsel or the Underwriter and approved by any Authorized Officer of the Authority, such approval to be conclusively

evidenced by the execution and delivery thereof. The Authorized Officers are each hereby authorized and directed to execute the final Official Statement and any amendment or supplement thereto, in the name of and on behalf of the Authority, and thereupon to cause the final Official Statement and any such amendment or supplement to be delivered to the Underwriter.

**Section 7.** Each of the Authorized Officers, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments, relating to the 2020 Bonds, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Loan Agreements, the Bond Purchase Agreement, the Escrow Agreements, the Continuing Disclosure Certificate, the Authorizing Resolution, this Resolution and any such instruments.

**Section 8.** This Resolution shall take effect upon adoption.

**APPROVED AND ADOPTED** by the Apple Valley Public Financing Authority, this 11<sup>th</sup> day of August, 2020.

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Chair, Scott Nassif

ATTESTED:

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Secretary, La Vonda M-Pearson

**NEW ISSUE—BOOK-ENTRY ONLY**

Rating: S&P: “\_\_”

**See the caption “CONCLUDING INFORMATION—Rating”**

*In the opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 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. See the caption “TAX MATTERS” with respect to tax consequences concerning the Bonds.*

\$ \_\_\_\_\_ \*

**APPLE VALLEY PUBLIC FINANCING AUTHORITY  
TAX ALLOCATION REVENUE REFUNDING BONDS  
(APPLE VALLEY REDEVELOPMENT PROJECT AREAS)  
SERIES 2020A**

**Dated: Closing Date**

**Due: June 1, as shown on the inside front cover page**

The Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York, and will be available to Beneficial Owners in integral multiples of \$5,000 under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. The principal of, premium if any, and interest (which interest is due June 1 and December 1 of each year, commencing June 1, 2021) on the Bonds will be payable by U.S. Bank National Association, as trustee (the “Trustee”), to DTC for subsequent disbursement to DTC Participants, so long as DTC or its nominee remains the registered owner of the Bonds. See the caption “THE BONDS—Book-Entry System.”

The Bonds are being issued pursuant to the Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020, by and between the Apple Valley Public Financing Authority (the “Authority”) and the Trustee to: (i) make two separate loans (the “Project Area 2 Loan” and the “Apple Valley-VVEDA Loan”) to the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the “Successor Agency”) for the purpose of refinancing certain obligations of the former Redevelopment Agency of the Town of Apple Valley (the “Former Agency”), as described under the caption “THE REFUNDING PLAN”; (ii) purchase a municipal bond insurance policy for the Bonds; (iii) purchase a debt service reserve insurance policy for the Bonds; and (iv) pay certain costs of issuance of the Bonds.

**The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. See the caption “THE BONDS—Redemption.”**

The Bonds are limited obligations of the Authority payable primarily from and secured by certain revenues (the “Revenues”) provided for in the Indenture. The Revenues generally consist of payments to be made by the Successor Agency pursuant to the Project Area 2 Loan and the Apple Valley-VVEDA Loan. The Tax Revenues securing the Successor Agency’s payment of the Project Area 2 Loan generally consist of property tax increment derived from the Apple Valley Redevelopment Project Area No. 2 that are deposited in the Successor Agency’s Redevelopment Property Tax Trust Fund. The Tax Revenues securing the Successor Agency’s payment of the Apple Valley-VVEDA Loan generally consist of the Apple Valley Share of property tax increment derived from the Apple Valley Subarea of the Victor Valley Redevelopment Project Area and

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there



deposited into the Redevelopment Property Tax Trust Fund established for the Successor Agency to the redevelopment functions of the Victor Valley Economic Development Authority (“VVEDA”) and paid to the Successor Agency pursuant to the Joint Exercise of Powers Agreement creating VVEDA. “See the caption “SECURITY FOR THE BONDS—Tax Increment Financing.”

**This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the Bonds. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.**

The Bonds are not a debt of the Town of Apple Valley, the Successor Agency, VVEDA, the State of California, or any of its political subdivisions (other than the Authority), and none of the Town of Apple Valley, the Successor Agency, VVEDA, the State of California, nor any of its political subdivisions are liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than Revenues received by the Authority. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The principal of and interest on the Bonds are payable solely from the Revenues and other funds as set forth in the Indenture.

*The Bonds are offered, when, as and if issued and accepted by the Underwriter, subject to the approval of Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Bond Counsel. Certain legal matters will be passed on for the Authority and the Successor Agency by the Town Attorney of the Town of Apple Valley, as counsel to the Authority and the Successor Agency, for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California, and for the Trustee by its counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about \_\_\_\_\_, 2020.*

**[STIFEL LOGO]**

Dated: \_\_\_\_\_, 2020

**MATURITY SCHEDULE**

**Base CUSIP<sup>†</sup> \_\_\_\_\_**

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**APPLE VALLEY PUBLIC FINANCING AUTHORITY  
TAX ALLOCATION REVENUE REFUNDING BONDS  
(APPLE VALLEY REDEVELOPMENT PROJECT AREAS)  
SERIES 2020A**

<b><i>Maturity Date (June 1)</i></b>	<b><i>Principal Amount</i></b>	<b><i>Interest Rate</i></b>	<b><i>Yield</i></b>	<b><i>Price</i></b>	<b><i>CUSIP<sup>†</sup></i></b>
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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright(c) 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Authority, Successor Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

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\* Preliminary, subject to change.

**APPLE VALLEY PUBLIC FINANCING AUTHORITY**  
**Apple Valley, California**

**AUTHORITY BOARD OF DIRECTORS**

Scott Nassif, *Chair*  
Curt Emick, *Vice Chair*  
Art Bishop  
Larry Cusack  
Kari Leon

**SUCCESSOR AGENCY BOARD OF DIRECTORS**

Scott Nassif, *Chair*  
Curt Emick, *Vice Chair*  
Art Bishop  
Larry Cusack  
Kari Leon

**AUTHORITY AND SUCCESSOR AGENCY STAFF**

Doug Robertson, *Executive Director*  
Sydnie Harries, *Treasurer*  
La Vonda M-Pearson, *Secretary*  
Thomas A. Rice, *Town Attorney*

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Stradling Yocca Carlson & Rauth, A Professional Corporation  
Newport Beach, California

**Municipal Advisor**

Urban Futures, Inc.  
Tustin, California

**Fiscal Consultant**

RSG, Inc.  
Irvine, California

**Trustee and Dissemination Agent**

U.S. Bank National Association  
Los Angeles California

**Verification Agent**

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

**No Offering May Be Made Except by this Official Statement.** No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Authority or the Underwriter.

**Use of Official Statement.** This Official Statement is submitted in connection with the sale of the Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any Bond owner and the Authority, the Successor Agency or the Underwriter.

**Preparation of this Official Statement.** The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**Estimates and Forecasts.** When used in this Official Statement and in any continuing disclosure made by the Authority or the Successor Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Successor Agency or the other parties described in this Official Statement, since the date of this Official Statement.

**Document Summaries.** All summaries of the Indenture, the Loan Agreements or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture, the Loan Agreements and such other documents are qualified in their entirety by reference to such documents, which are on file with the Authority.

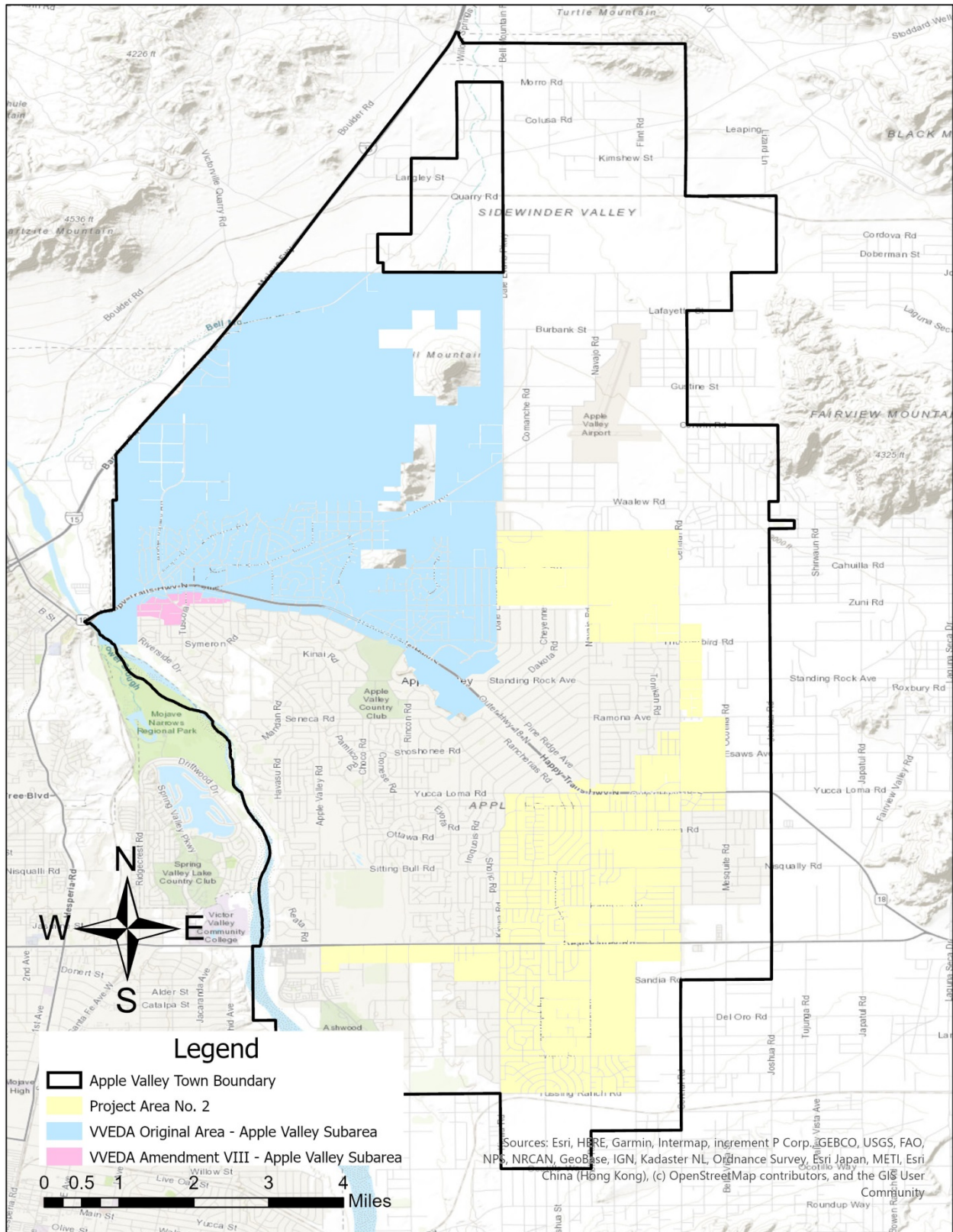
**No Unlawful Offers or Solicitations.** This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

**No Registration with the SEC.** The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

**Public Offering Prices.** The Underwriter may offer and sell the Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and the Underwriter may change such public offering prices from time to time.

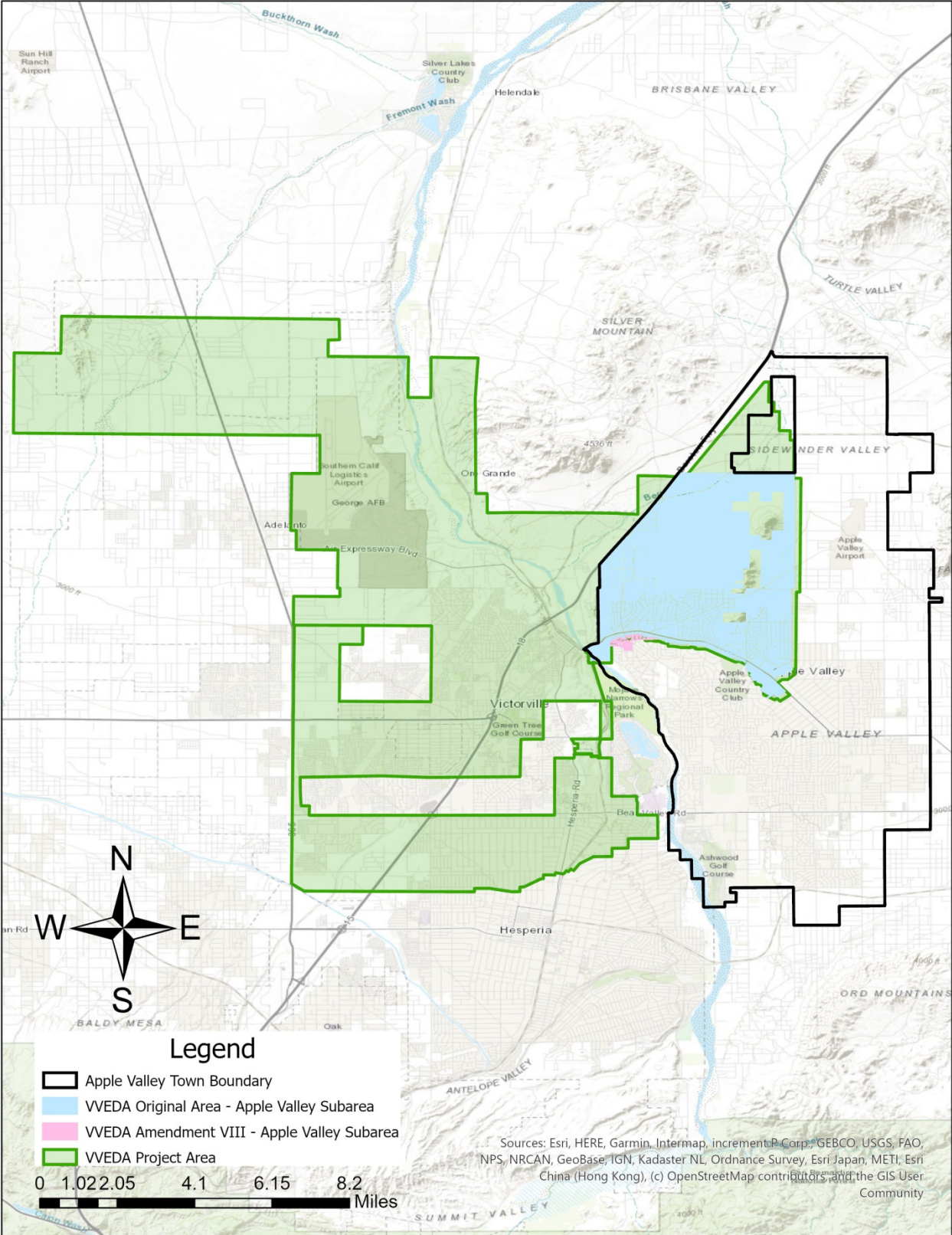
**Website.** The Town of Apple Valley maintains an Internet website. However, the information maintained on such website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

# APPLE VALLEY PROJECT AREA 2 AND APPLE VALLEY SUBAREA OF VVEDA PROJECT AREA





# VVEDA PROJECT AREA AND APPLE VALLEY SUBAREA



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**APPLE VALLEY PUBLIC FINANCING AUTHORITY  
TAX ALLOCATION REVENUE REFUNDING BONDS  
(APPLE VALLEY REDEVELOPMENT PROJECT AREAS)  
SERIES 2020A**

**(a) INTRODUCTORY STATEMENT**

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Apple Valley Public Financing Authority (the “Authority”) of its \$ \_\_\_\_\_ \* Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas) Series 2020A (the “Bonds”).

**(b) Authority and Purpose**

The Bonds are being issued pursuant to the Constitution and laws of the State of California (the “State”), including Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “JPA Law”) and an Indenture of Trust, dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). See the caption “THE BONDS—Authority for Issuance.”

The Bonds are being issued to make two separate loans (the “Project Area 2 Loan” and the “Apple Valley-VVEDA Loan” and, collectively, the “Loans”) to the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the “Successor Agency”) for the purpose of (i) refunding certain obligations of the former Redevelopment Agency of the Town of Apple Valley (the “Former Agency”), defined under the caption “THE REFUNDING PLAN” as the 2007 Project Area 2 Bonds, the 2005 VVEDA Project Area Bonds, and the 2007 VVEDA Project Area Bonds (collectively, the “Refunded Bonds”); (ii) to purchase a municipal bond insurance policy (the “Policy”) with respect to the Bonds (iii) to purchase a debt service reserve insurance policy (the “Reserve Policy”) for the Bonds; and (iv) to pay certain costs of issuance of the Bonds. See the caption “THE REFUNDING PLAN—Sources and Uses of Funds.”

**Revenues and Tax Revenues.** The Bonds are limited obligations of the Authority payable primarily from and secured by certain revenues (the “Revenues”) provided for in the Indenture. Revenues consist of (a) all amounts payable by the Successor Agency pursuant to the Project Area No. 2 Loan Agreement by and between the Successor Agency and the Authority (the “Project Area 2 Loan Agreement”) and the Apple Valley-VVEDA Loan Agreement by and between the Successor Agency and the Authority (the “Apple Valley-VVEDA Loan Agreement” and, together with the Project Area 2 Loan Agreement, the “Loan Agreements”), other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee, and (ii) amounts payable to the United States of America as arbitrage rebate pursuant the Loan

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\* Preliminary, subject to change.

Agreements; (b) any proceeds of Bonds originally deposited with the Trustee and all Bond moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Account); and (d) any other investment income received under the Indenture. The Loan Agreements are each limited obligations of the Successor Agency payable solely from and secured by a first pledge of and lien on all of the Tax Revenues (as defined in each Loan Agreement) from the applicable Project Area (as defined herein). See the caption “—Security for the Bonds” below for a description of the Tax Revenues pledged under the Project Area 2 Loan Agreement and the Apple Valley-VVEDA Loan Agreement. For more information on the Loans, the Loan Agreements and the Tax Revenues, see the captions “SECURITY FOR THE BONDS—Loan Payments” and “—Security of Loans; Equal Security.”

### **(c) The Authority, the Town, the Successor Agency, and VVEDA**

The Authority was formed pursuant to the provisions of Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”) and the Joint Exercise of Powers Agreement, dated August 10, 1999 (the “JPA Agreement”), by and between the Town of Apple Valley (the “Town”) and the Former Agency. The Authority was formed by the Town and the Former Agency for the purpose of establishing a vehicle which may reduce local borrowing costs and promote the greater use of existing and new financial instruments and mechanisms to assist with the financing of public capital improvements and related capital requirements undertaken by the members and other public entities within the State of California (the “State”). See the caption “THE AUTHORITY.”

The Town of Apple Valley (the “Town”) was incorporated as a general law city in 1988. The Town is approximately 90 miles northeast of the city of Los Angeles in the heart of Victor Valley in the County, at an elevation of approximately 3,000 feet. As of January 1, 2020, the Town had an estimated population of 74,394.

The Former Agency was established pursuant to the Community Redevelopment Law (Part 1, Division 24, commencing with Section 33000 of the Health & Safety Code of the State) (the “Redevelopment Law”) and was activated by Ordinance No. 127 adopted by the Town Council on October 29, 1993, at which time the Town Council declared itself to be the governing board of the Former Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the Town.

The Victor Valley Economic Development Authority (“VVEDA”) is a joint exercise of powers authority, of which the Town is a member, formed pursuant to Government Code section 6500, et seq. and Fourth Amended and Restated Joint Exercise of Powers Agreement Creating the Victor Valley Economic Development Authority (“VVEDA JPA”) executed in June 2000 among the Town, the County, and the cities of Victorville, Hesperia, and Adelanto (each, a “Member Jurisdiction” and collectively, the “Member Jurisdictions”). Prior to the dissolution of redevelopment agencies in California on February 1, 2012 pursuant to the Dissolution Act, VVEDA exercised the powers of a

redevelopment agency within the VVEDA Project Area, pursuant to the VVEDA Project Area Redevelopment Plan and special legislation (codified at Health and Safety Code Section 33492.40) for the purpose of redeveloping the former George Air Force Base and other land in proximity to the former base.

On June 28, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit entitled *California Redevelopment Association, et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (Dec. 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions of AB X1 26 relating to the dissolution and winding down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health & Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012 and as further amended on September 22, 2015 by Senate Bill 107 (“SB 107”), enacted as Chapter 325, Statutes of 2015 (collectively, and as further amended from time to time, the “Dissolution Act”).

On January 10, 2012, pursuant to Resolution No. 2012-03 and Section 34173 of the Dissolution Act, the Town Council of the Town elected to serve as the successor agency to the Former Agency. On January 12, 2012, The VVEDA Commission adopted Resolution No. 12-002 electing to serve as the successor agency to the redevelopment functions of VVEDA. Therefore, following the dissolution of redevelopment agencies in the State as described herein, VVEDA’s Redevelopment Plan obligations continue to be administrated by VVEDA, acting as the successor agency to the redevelopment functions of VVEDA (sometimes referred to herein as the “VVEDA Successor Agency” and sometimes as “VVEDA”). Subdivision (g) of Section 34173 of the Dissolution Act, which was added by AB 1484, expressly affirms that a “successor agency is a separate public entity from the public agency that provides for its governance and the two entities shall not merge. The liabilities of the former redevelopment agency shall not be transferred to the sponsoring entity and the assets shall not become assets of the sponsoring entity.”

#### **(d) The Redevelopment Plans and the Project Areas**

***Apple Valley Redevelopment Project Area 2.*** The Town Council of the Town established Project Area 2 by adopting Ordinance No. 174 on December 23, 1996 and approved a redevelopment plan for Project Area 2 (the “Project Area 2 Redevelopment Plan”). Tax Revenues from Project Area 2 are pledged to the repayment of the Project Area 2 Loan under the Project Area 2 Loan Agreement. The Project Area 2

Redevelopment Plan and Project Area 2 are discussed in detail under the captions “THE REDEVELOPMENT PLANS” and “THE PROJECT AREAS.”

**Victor Valley Redevelopment Project Area.** VVEDA adopted the initial Redevelopment Plan for the VVEDA Project Area on December 28, 1993 by Ordinance No. 2 (the “VVEDA Project Area Redevelopment Plan” and together with the Project Area 2 Redevelopment Plan, the “Redevelopment Plans”). The VVEDA Project Area Redevelopment Plan was subsequently amended eight times, including two amendments to add territory. The VVEDA Project Area Redevelopment Plan provides for the redevelopment of the former George Air Force Base and land surrounding the former base within the jurisdiction of the Member Jurisdictions. The portion of the VVEDA Project Area located within the jurisdiction of the Town is referred to herein as the “Apple Valley Subarea.” VVEDA, the VVEDA JPA, the VVEDA Project Area Redevelopment Plan and the VVEDA Project Area are discussed in detail under the captions “THE REDEVELOPMENT PLANS” and “THE PROJECT AREAS.”

#### **(e) Security for the Bonds**

The Bonds are payable solely from, and are secured by, the Revenues. As described under the caption “SECURITY FOR THE BONDS,” Revenues consist primarily of payments (the “Loan Payments”) to be made by the Successor Agency pursuant to the Loan Agreements. The Loan Payments consist primarily of Tax Revenues received by the Successor Agency from Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area (collectively referred to herein as the “Project Areas”), as described further below.

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan becomes the base year valuation. Assuming that the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

The Dissolution Act requires the Auditor-Controller of the County of San Bernardino (the “County Auditor-Controller”) to determine the amount of property taxes that would have been allocated to former redevelopment agencies had such former redevelopment agencies not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the Redevelopment Property Tax Trust Fund established for each redevelopment agency pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized to be issued by a successor agency will be considered indebtedness incurred by the dissolved redevelopment agency, with

the same legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the successor agency's recognized obligation payment schedule. See Appendix B and the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule."

The Dissolution Act authorizes the issuance of bonds to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of all of the redevelopment agency's redevelopment projects. See the caption "THE REFUNDING PLAN."

The Loans are payable from and secured by Tax Revenues, as defined in each of the Loan Agreements, as described as follows:

Under the Project Area 2 Loan Agreement, Tax Revenues consist of property tax revenue generated in the Apple Valley Redevelopment Project Area 2 ("Project Area 2") by increases in assessed valuation above the base year assessed valuation (the assessed valuation at the time Project Area 2 was adopted) after payment of certain County of San Bernardino (the "County") administrative costs, as more fully described under the caption "SECURITY FOR THE BONDS." [The Successor Agency's obligation to pay Statutory Pass-Through Amounts (defined under the caption "SECURITY FOR THE BONDS—Tax Increment Financing—*Tax Sharing*) to taxing entities in Project Area 2 has been subordinated to payment of the Project Area 2 Loan pursuant to the process set forth in the Dissolution Act; however, the Successor Agency must follow certain procedures to access such moneys for Project Area 2 Loan Payments in the even the Successor Agency anticipates insufficient Tax Revenues will be available from Project Area 2 to pay all Statutory Pass-Through Amounts and Project Area 2 Loan Payments. See the caption "SECURITY FOR THE BONDS—Tax Increment Financing—*Tax Sharing*."

The following table illustrates the calculation of Tax Revenues from Project Area 2 for Fiscal Year 2019-20.

**PROJECT AREA 2 TAX REVENUES  
FISCAL YEAR 2019-20**

<b><i>Total Assessed Value</i></b>	<b><i>Incremental Assessed Value<sup>(1)</sup></i></b>	<b><i>Estimated Gross Tax Increment<sup>(2)</sup></i></b>	<b><i>County Admin Charge<sup>(3)</sup></i></b>	<b><i>Project Area 2 Tax Revenues</i></b>
\$1,049,451,666	\$630,839,990	\$6,308,400	\$(86,575)	\$6,221,825

(1) Value over the base year assessed value of \$418,611,676.

(2) 1.00% of Incremental Assessed Value.

(3) County administrative charges estimated at 1.37% of gross tax increment revenues based on actual charges for the January 2020 and June 2020 Apple Valley RPTTF distributions.

Source: RSG, Inc.

See Table 1 below for historic assessed values and Tax Revenues for Project Area 2 for the last 5 Fiscal Years.

Under the Apple Valley-VVEDA Loan Agreement, Tax Revenues consist of the Apple Valley Share of the net property tax revenue generated in the portion of the Victor Valley Redevelopment Project Area (the "VVEDA Project Area") located within the Town of Apple Valley (the "Apple Valley Subarea") by increases in assessed valuation above the base year assessed valuation (the assessed valuation at the time the VVEDA Project Area was adopted) after the payment of certain County administrative costs and payments to certain taxing agencies, as more fully described under the caption "SECURITY FOR THE BONDS." The "Apple Valley Share" consists of 50% of the net non-housing tax increment revenues attributable to the Apple Valley Subarea after payment of County administrative charges and Negotiated Pass-Through Amounts, plus all amounts previously required to be deposited into the low and moderate income housing fund under the Redevelopment Law. The Negotiated Pass-Through Amounts have not been subordinated to the Apple Valley-VVEDA Loan Payments; therefore, a pro-rata portion of the Negotiated Pass-Through Amounts payable from Tax Revenues generated in the VVEDA Project Area (based on the relative incremental assessed value of properties in the Apple Valley Subarea compared to the incremental assessed value of properties in the full VVEDA Project Area) will be deducted from Tax Revenues prior to payment of Loan Payments on the Apple Valley-VVEDA Loan. For more information on the Loans, the Loan Agreements and the Tax Revenues, see the captions "SECURITY FOR THE BONDS—Loan Payments," "—Security of Loans; Equal Security," "—Tax Increment Financing," "—Pass-Through Payments," "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Property Tax Administrative Costs," and "SECURITY FOR THE BONDS—Obligations Payable from the Housing Fund."

The following table illustrates the calculation of Tax Revenues from the Apple Valley Subarea of the VVEDA Project Area for Fiscal Year 2019-20.

**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA TAX REVENUES  
FISCAL YEAR 2019-20**

<b>Total Assessed Value</b>	<b>Incremental Assessed Value<sup>(1)</sup></b>	<b>Estimated Gross Tax Increment<sup>(2)</sup></b>	<b>County Admin Charge<sup>(3)</sup></b>	<b>Negotiated Pass-Through Amounts<sup>(4)</sup></b>	<b>Net Tax Increment Revenues</b>			<b>Apple Valley Share (Tax Revenues)<sup>(8)</sup></b>
					<b>20% Housing Set-Aside Amount<sup>(5)</sup></b>	<b>Net Non-Housing Tax Increment<sup>(6)</sup></b>	<b>50% of Non-Housing Tax Increment<sup>(7)</sup></b>	
\$1,206,329,385	\$770,298,043	\$7,702,980	\$(86,092)	\$(3,204,032)	\$1,540,596	\$2,872,260	\$(1,436,130)	\$2,976,726

(1) Value over the base year assessed value of \$436,031,342.

(2) 1.00% of Incremental Assessed Value of properties in the Apple Valley Subarea. See Tables 2 and 13 for secured and unsecured assessed value and incremental assessed value in the Apple Valley Subarea of the VVEDA Project Area for Fiscal Year 2019-20.

(3) County administrative charges estimated at 1.12% of gross tax increment revenues based on actual charges for the January 2020 and June 2020 VVEDA RPTTF distributions.

(4) Reflects Negotiated Pass-Through Amounts. See the caption "SECURITY FOR THE BONDS—Pass-Through Payments— *Negotiated Pass-Through Amounts.*"

(5) The Redevelopment Law required 20% of tax increment revenues to be deposited into a low and moderate income housing fund; such requirement no longer applies under the Dissolution Act and such amounts are now included in the Apple Valley Share. See the caption "SECURITY FOR THE BONDS—Tax Increment Financing—Housing Set-Aside;



Housing Fund.” SCLAA has not pledged former Housing Set-Aside Amounts attributable to the Apple Valley Subarea to the SCLAA bonds.

- (6) Estimated Gross Tax Increment, less County administrative charges, Negotiated Pass-Through Amounts, and Housing Set Aside.
- (7) 50% of the net non-housing tax increment revenue generated within the Apple Valley Subarea is allocated to SCLAA. The remaining 50% is allocated to the Successor Agency. See the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority.”
- (8) The Successor Agency’s 50% of net non-housing tax increment revenue plus the Housing Set-Aside attributable to the Apple Valley Subarea is allocated to the Town under the VVEDA JPA, and constitutes the Tax Revenues pledged to the Apple Valley-VVEDA Loan.

Source: RSG, Inc.

See Table 2 below for historic assessed values and Tax Revenues for the Apple Valley Subarea of the VVEDA Project Area for the last 5 Fiscal Years.

The Successor Agency has no power to levy property taxes and must look specifically to the allocation of tax increment revenues to the Successor Agency and to VVEDA, as described above and under the caption “SECURITY FOR THE BONDS—Tax Increment Financing.” See the caption “RISK FACTORS.”

**(f) Apple Valley and VVEDA Recognized Obligation Payment Schedules and RPTTF Disbursements**

The Former Agency and VVEDA operated as separate redevelopment agencies under the Redevelopment Law. The Successor Agency and VVEDA now operate as separate successor agencies under the Dissolution Act. The County Auditor-Controller has established a separate Redevelopment Property Tax Trust Fund for the Successor Agency (the “Apple Valley RPTTF”) and a separate Redevelopment Property Tax Trust Fund for VVEDA (the “VVEDA RPTTF,” which is sometimes referred to collectively herein with the Apple Valley RPTTF as the “Redevelopment Property Tax Trust Funds”). The Successor Agency and VVEDA are each responsible for submitting separate annual Recognized Obligation Payment Schedules including all payments required under enforceable obligations of the Successor Agency and VVEDA, respectively.

The Successor Agency has included all scheduled debt service payments on the Refunded Bonds on each prior Recognized Obligation Payment Schedule submitted by the Successor Agency. On each Recognized Obligation Payment Schedule submitted by the Successor Agency, the Successor Agency has requested disbursements from the Apple Valley RPTTF to pay debt service on the 2007 Project Area 2 Bonds, and will continue this practice with respect to Loan Payments on the Project Area 2 Loan. Because debt service on the VVEDA Project Area Bonds (defined under the caption “THE REFUNDING PLAN”) was payable from tax increment generated in the Apple Valley Subarea of the VVEDA Project Area, the Successor Agency has requested amounts to pay debt service on the VVEDA Project Area Bonds from “Other Funds” on each Recognized Obligation Payment Schedule; such “Other Funds” constitute amounts received from VVEDA for this purpose. The Successor Agency will continue this practice of requesting “Other Funds” to pay Loan Payments on the Apple Valley-VVEDA Loan on each future Recognized Obligation Payment Schedule.

On each prior Recognized Obligation Payment Schedule submitted by VVEDA, VVEDA has requested disbursements from the VVEDA RPTTF to pay debt service on the VVEDA Project Area Bonds and has transferred such amounts to the Successor Agency to enable the Successor Agency to pay scheduled debt service on the VVEDA Project Area Bonds when due. VVEDA is expected to continue this practice for purposes of enabling the Successor Agency to pay Loan Payments on the Apple Valley-VVEDA Loan when due.

Through the foregoing process, the Successor Agency has received the amounts necessary to make all scheduled payments of principal and interest on the Refunded Bonds when due since the dissolution of redevelopment agencies pursuant to the Dissolution Act.

See the caption “SECURITY FOR THE BONDS—Tax Increment Financing” and “—Recognized Obligation Payment Schedule” for more information regarding the Redevelopment Property Tax Trust Funds and successor agency recognized obligation payment schedules.

**(g) Bond Insurance**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under the Policy, which will be issued concurrently with the delivery of the Bonds \_\_\_\_\_ (the “Insurer”). See the captions “—Authority and Purpose” and “BOND INSURANCE.”

**(h) Reserve Account**

A Reserve Account for the Bonds is established pursuant to the Indenture in an amount equal to the initial Reserve Requirement of \$\_\_\_\_\_, of which \$\_\_\_\_\_ will be credited to the Project Area 2 Reserve Subaccount and \$\_\_\_\_\_ will be credited to the VVEDA Project Area Reserve Subaccount. The Reserve Requirement is initially being satisfied by the deposit of the Reserve Policy into the Reserve Account. See “SECURITY FOR THE BONDS—Deposit and Application of Tax Revenues by Trustee.”

**(i) COVID-19 (Coronavirus) Pandemic**

As described further in this Official Statement, the spread of the novel strain of coronavirus called COVID-19 is having significant negative impacts throughout the world, including within the Town and the Project Areas. The assessed valuation and other information described under the caption “THE PROJECT AREAS” and “TAX REVENUES” does not account for the potential impacts of COVID-19 on the Project Areas and is not intended to be predictive of future results. For more information regarding the potential impacts of COVID-19 on the Project Areas, see the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic” and the Fiscal Consultant’s Reports in Appendices A-1 and A-2.

**(j) Further Information**

Brief descriptions of the Bonds, the Indenture, the Loan Agreements, the Authority, the Successor Agency, the Former Agency and the Town are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Indenture, the Loan Agreements, the JPA Law, the Redevelopment Law, the Dissolution Act, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Authority, the Successor Agency and the Town are qualified in their entirety by reference to such documents. References herein to the Bonds are qualified in their entirety by the form thereof included in the Indenture and the information with respect thereto included herein, copies of which are all available for inspection at the offices of the Authority. Copies of the forms of all documents are available from the Town Clerk’s office, Town of Apple Valley, 14955 Dale Evans Parkway, Apple Valley, California 92307.

Capitalized terms used herein and not defined have the meanings set forth in Appendix B.

## (k) THE REFUNDING PLAN

### (l) General

**2007 Project Area 2 Bonds.** The Former Agency previously issued its \$37,230,000 Redevelopment Agency of the Town of Apple Valley Tax Allocation Bonds (Apple Valley Redevelopment Project Area No. 2) Series 2007 (the “2007 Project Area 2 Bonds”) currently outstanding in the aggregate principal amount of \$26,970,000.

Pursuant to an Escrow Agreement (Project Area No. 2 Bonds) dated as of \_\_\_\_\_ 1, 2020 (the “2007 Project Area 2 Bonds Escrow Agreement”), by and between the Successor Agency and U.S. Bank National Association, as escrow bank (the “Escrow Bank”), the Successor Agency will cause a portion of the proceeds of the Project Area 2 Loan to be delivered to the Escrow Bank for deposit in the escrow fund established under the 2007 Project Area 2 Bonds Escrow Agreement (the “2007 Project Area 2 Bonds Escrow Fund”). Such amounts to be delivered by or on behalf of the Successor Agency to the Escrow Bank on the Closing Date, together with amounts transferred from funds and accounts established in connection with the 2007 Project Area 2 Bonds, will be held in cash and will be sufficient to pay all principal and accrued interest on all outstanding 2007 Project Area 2 Bonds on or about \_\_\_\_\_, 2020.

**2005 VVEDA Project Area Bonds.** The Former Agency previously issued its \$8,130,000 Redevelopment Agency of the Town of Apple Valley Tax Allocation Bonds (VVEDA Project Area – Town of Apple Valley Jurisdiction) Series 2005 (the “2005 VVEDA Project Area Bonds”) currently outstanding in the aggregate principal amount of \$5,335,000.

Pursuant to an Escrow Agreement (2005 VVEDA Project Area Bonds) dated as of \_\_\_\_\_ 1, 2020 (the “2005 VVEDA Project Area Bonds Escrow Agreement”), by and between the Successor Agency and the Escrow Bank, the Successor Agency will cause a portion of the proceeds of the Apple Valley-VVEDA Loan to be delivered to the Escrow Bank for deposit in the escrow fund established under the 2005 VVEDA Project Area Bonds Escrow Agreement. Such amounts to be delivered by or on behalf of the Successor Agency to the Escrow Bank on the Closing Date, together with amounts transferred from funds and accounts established in connection with the 2005 VVEDA Project Area Bonds, will be held in cash and will be sufficient to pay all principal and accrued interest on all outstanding 2005 VVEDA Project Area Bonds on or about \_\_\_\_\_, 2020.

**2007 VVEDA Project Area Bonds.** The Former Agency previously issued its \$8,985,000 Redevelopment Agency of the Town of Apple Valley Tax Allocation Bonds (Victor Valley Redevelopment Project Area – Town of Apple Valley Jurisdiction) Series 2007 (the “2007 VVEDA Project Area Bonds” and together with the 2007 Project Area 2 Bonds and the 2005 VVEDA Bonds, the “Refunded Bonds”) currently outstanding in the aggregate principal amount of \$6,760,000.

Pursuant to an Escrow Agreement (2007 VVEDA Project Area Bonds) dated as of \_\_\_\_\_ 1, 2020 (the “2007 VVEDA Bonds Escrow Agreement” and, together with the 2007 Project Area 2 Bonds Escrow Agreement and the 2005 VVEDA Project Area Bonds Escrow Agreement, the “Escrow Agreements”), by and between the Successor Agency and the Escrow Bank, the Successor Agency will cause a portion of the proceeds of the Apple Valley-VVEDA Loan to be delivered to the Escrow Bank for deposit in the escrow fund established under the 2007 VVEDA Project Area Bonds Escrow Agreement. Such amounts to be delivered by or on behalf of the Successor Agency to the Escrow Bank on the Closing Date, together with amounts transferred from funds and accounts established in connection with the 2007 VVEDA Project Area Bonds, will be held in cash and will be sufficient to pay all principal and accrued interest on all outstanding 2007 VVEDA Project Area Bonds on or about \_\_\_\_\_, 2020.

Sufficiency of the deposits in the escrow funds established under the Escrow Agreements for such purposes will be verified by \_\_\_\_\_ (the “Verification Agent”). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the Escrow Agreements, the Refunded Bonds will be defeased pursuant to the provisions of the indentures under which they were issued as of the date of issuance of the Bonds.

The amounts held by the Escrow Bank in the Escrow Funds established under the Escrow Agreements are pledged solely to the redemption of the applicable series of Refunded Bonds. None of the moneys deposited in the Escrow Funds nor the interest thereon will be available for the payments of principal of and interest on the Bonds.

**(m) Verification of Mathematical Computations**

Upon issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the cash to be deposited in the respective escrow funds to pay the Redemption Price of the Refunded Bonds.

**(n) Sources and Uses of Funds**

The estimated sources and uses of the Bonds and other funds are summarized as follows:

	<b>Total</b>
<b>Sources:</b>	
Principal Amount of Bonds	\$
Plus [Net] Original Issue Premium	
Other Sources of Funds <sup>(1)</sup>	
Successor Agency Funds on Hand <sup>(2)</sup>	
<b>Total Sources:</b>	\$
 <b>Uses:</b>	
2007 Project Area 2 Bonds Escrow Fund	\$
2005 VVEDA Project Area Bonds Escrow Fund	
2007 VVEDA Project Area Bonds Escrow Fund	
Costs of Issuance <sup>(3)</sup>	
Underwriter's Discount	
<b>Total Uses:</b>	\$

- 
- (1) Includes amounts on deposit in the funds and accounts with respect to the Refunded Bonds.
  - (2) Amounts received from the Apple Valley RPTTF and from the VVEDA RPTTF to make the December 1, 2020 interest payments on the Refunded Bonds.
  - (3) Includes fees and expenses of Bond and Disclosure Counsel, the Municipal Advisor, the Fiscal Consultant, the Trustee, the Verification Agent, and the Town Attorney, printing expenses, rating agency fees, premiums for the Policy and the Reserve Policy, and other miscellaneous costs.

**(o) THE BONDS**

**(p) Authority for Issuance**

The Bonds were authorized for issuance pursuant to the Indenture and the JPA Law. Direction to undertake the issuance of the Bonds and the execution of the related documents was authorized by the Authority pursuant to a resolution adopted by the governing board of the Authority on June 9, 2020. The Loans were authorized by the Successor Agency pursuant to a resolution adopted by the Town Council of the Town, acting as the governing board of the Successor Agency, on June 9, 2020 and by the Countywide Oversight Board for the County of San Bernardino (the "Oversight Board") pursuant to a resolution adopted on June 11, 2020 (the "Oversight Board Action").

Written notice of the Oversight Board Action was provided to the State Department of Finance (the "DOF") and the DOF requested a review within five business days of such

written notice. On \_\_\_\_\_, 2020, which is within the time period allotted under the Dissolution Act for the DOF to review the Oversight Board Action, the DOF provided a letter to the Successor Agency stating that based on the DOF's review and application of the law, the Oversight Board Action approving the Loans is approved by the DOF. A copy of the DOF's letter is set forth in Appendix F.

**(q) Description of the Bonds**

The Bonds will be issued in fully-registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond has more than one maturity date, initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of all Bonds. See the caption "—Book-Entry System." The Bonds will be dated the Closing Date and mature on June 1 in the years and in the amounts shown on the inside front cover page of this Official Statement. Interest on the Bonds will be calculated at the rates shown on the inside cover page of this Official Statement, payable semiannually on June 1 and December 1 in each year, commencing on June 1, 2021 (each, an "Interest Payment Date").

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

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that payment of such interest will be made by wire transfer to an account in the United States to the registered Owner of at least \$1,000,000 principal amount of Bonds if the registered Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number and other necessary information for such purpose at least 15 days before the applicable Interest Payment Date.

The principal of each Bond will be payable upon the surrender of such Bond at maturity or upon redemption prior to maturity at the Trust Office of the Trustee in Los Angeles, California.

**(r) Book-Entry System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership

nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix D for further information with respect to DTC and its book-entry system.

**(s) Redemption**

**Optional Redemption.** The Bonds maturing on or after June 1, 20\_\_, shall be subject to redemption prior to their respective maturity dates as a whole, or in part among outstanding maturities as directed by the Authority pursuant to written notice delivered to the Trustee and by lot within a maturity, as a result of optional prepayment of the Loans on any date with respect to which such prepayment shall have been made (which shall be any date on or after June 1, 20\_\_), at the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

**Mandatory Sinking Fund Redemption.** The Term Bonds shall also be subject to mandatory redemption in whole, or in part by lot, on June 1 in each year commencing June 1, 20\_\_, in the case of the Term Bonds maturing June 1, 20\_\_ and June 1, 20\_\_, in the case of the Term Bonds maturing June 1, 20\_\_, from sinking fund payments made by the Authority for deposit into the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following table; provided, however, that in lieu of redemption thereof the Term Bonds may be purchased by the Authority, or by the Successor Agency pursuant to the Loan Agreements, and tendered to the Trustee for cancellation; and provided further, however, that if some but not all of the Term Bonds of a maturity have been redeemed, the total amount of all future sinking fund payments applicable to such maturity of Term Bonds will be reduced by the aggregate principal amount of the Term Bonds of the maturity so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 as determined by the Trustee.

<b>Term Bonds of 20__</b>	
<b>June 1</b>	<b>Principal Amount</b>

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† *Final Maturity.*



Term Bonds of 20\_\_

June 1                      *Principal Amount*

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† *Final Maturity.*

**Notice of Redemption; Rescission.** The Trustee on behalf and at the expense of the Authority will mail (by first class mail, postage prepaid) notice of any redemption at least twenty (20) (or such longer period, up to thirty (30) days, as may be required by the Depository) but not more than sixty (60) days prior to the redemption date, (i) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) to the Securities Depositories and one or more Information Services designated in a Written Request of the Successor Agency filed with the Trustee; but such mailing will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, will state, in the case of a redemption pursuant to (a) above, that such redemption is conditioned upon the timely delivery of the redemption price by the Authority to the Trustee for deposit in the Redemption Account, will designate the CUSIP number of the Bonds to be redeemed, will state the individual number of each Bond to be redeemed or will state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and will require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date

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

**Manner of Redemption.** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds to be redeemed from such series and maturity by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

**Partial Redemption of Bonds.** In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority will execute and the

Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series, interest rate and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

**Effect of Redemption.** From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice. All Bonds so redeemed will be cancelled and shall be destroyed

**(t) Annual Debt Service**

The table below sets forth annual debt service on the Bonds.

<b>Bond Year (Amount Payable as of June 1)</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2021	\$	\$	\$
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

Source: Stifel, Nicolaus & Company, Incorporated.

**(u) Annual Loan Payment Schedule**

Debt service on the Bonds will be paid by the Authority from the Loan Payments made by the Successor Agency pursuant to the Loan Agreements. The table below sets forth the annual Loan Payments due under the Loan Agreements.

**LOAN PAYMENT SCHEDULE**

<b><i>Bond Year (Amount Payable as of June 1)</i></b>	<b><i>Project Area 2 Loan Principal</i></b>	<b><i>Project Area 2 Loan Interest</i></b>	<b><i>Total Project Area 2 Loan Payments</i></b>	<b><i>Apple Valley- VVEDA Loan Principal</i></b>	<b><i>Apple Valley- VVEDA Loan Interest</i></b>	<b><i>Total Apple Valley- VVEDA Loan Payments</i></b>	<b><i>Total Loan Payments</i></b>
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
<b>Total</b>							

Source: Stifel, Nicolaus & Company, Incorporated.

## (v) SECURITY FOR THE BONDS

### (w) General

The Indenture provides that, subject to certain rights of the Trustee, the Bonds are secured by a first lien on and pledge of all Revenues and a pledge of all of the moneys held in the Revenue Fund (except for moneys in the Rebate Account), Interest Account, the Principal Account and the Reserve Account, including all amounts derived from the investment of such moneys. Revenues consist of (a) all amounts payable by the Successor Agency pursuant to the Loan Agreements, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee, and (ii) amounts payable to the United States of America as arbitrage rebate pursuant the Loan Agreements; (b) any proceeds of the Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Account); and (d) any other investment income received under the Indenture

The Revenues primarily consist of Loan Payments due under the Loan Agreements. Loan Payments are payable from and are specifically secured by a lien upon and an irrevocable pledge of the Tax Revenues generated from the applicable Project Area. Tax Revenues comprise the incremental property tax revenues allocated to the Successor Agency from Project Area 2 and the Apple Valley Share of the incremental property tax revenues allocated to VVEDA from the Apple Valley Subarea of the VVEDA Project Area pursuant to the Dissolution Act, less certain significant deductions for prior claims against such funds, as more fully described under the caption “—Security of Loans; Equal Security.” Also see the caption “—Tax Increment Financing” below.

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to former redevelopment agencies (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the former redevelopment agencies not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit such amount in the Redevelopment Property Tax Trust Fund for each successor agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. Section 34177.5(g) of the Dissolution Act provides that any bonds authorized thereunder to be issued by a successor agency will be considered indebtedness incurred by the dissolved former redevelopment agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, will be included in the successor agency’s Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established for such successor agency pursuant to the Dissolution Act. Property tax revenues pledged to any indebtedness authorized to be issued by the Successor Agency under the Dissolution

Act, such as the Loans, are taxes allocated to the successor agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution. See the caption “—Recognized Obligation Payment Schedule.”

Pursuant to Section 33670(b) of the Redevelopment Law and Section 16 of Article XVI of the State Constitution, and as provided in the Redevelopment Plans for the Project Areas, taxes levied upon taxable property in the Project Areas each year by or for the benefit of the State, any city, county, district, or other public corporation (herein sometimes collectively called “taxing agencies”) after the effective date of the ordinance approving the applicable redevelopment plan, or the respective effective dates of ordinances approving amendments to the redevelopment plan that added territory to the applicable Project Area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in all of a former redevelopment agency’s redevelopment project areas as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the applicable redevelopment plan, or the respective effective dates of ordinances approving amendments thereto that added territory to the applicable redevelopment project area, as applicable (each, a “base year valuation”), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency (as discussed under the caption “PROPERTY TAXATION IN CALIFORNIA—Article XIII A of the State Constitution”), that portion of the levied taxes each year in excess of such amount, annually allocated within applicable redevelopment plan limits, when collected will be paid into a special fund of the redevelopment agency. Section 34172(a) of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund established for each successor agency will be deemed to be a special fund of the applicable successor agency to pay the debt service on indebtedness incurred by the former redevelopment agency or the applicable successor agency to finance or refinance the redevelopment projects of the former redevelopment agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller (as discussed under the caption “PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Property Tax*

*Administrative Costs*”), constitutes the amount required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date referred to in paragraph (b) above.

The Loans are payable from and secured by deposits into the Redevelopment Property Tax Trust Fund established for the Successor Agency (the “Apple Valley RPTTF”) and the Apple Valley share of the deposits into the Redevelopment Property Tax Trust Fund established for VVEDA (the “VVEDA RPTTF” and, together with the Apple Valley RPTTF, the “Redevelopment Property Tax Trust Funds”). See the caption “— Security of Loans; Equal Security.”

The Authority has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available to pay the principal of and interest on the Bonds. See the captions “—Tax Increment Financing,” “—Recognized Obligation Payment Schedule,” “PROPERTY TAXATION IN CALIFORNIA” and “RISK FACTORS.” **The Revenues and other funds pledged under the Indenture are the sole security for the Bonds, and the Authority has no source of funds, other than the Loan Payments, to pay debt service on the Bonds.**

The Bonds are not a debt of the Successor Agency, the Town, VVEDA, the State, or any of its political subdivisions, and neither said Successor Agency, said Town, VVEDA, said State, nor any of its political subdivisions is liable thereon, nor in any event will the Bonds be payable out of any funds or properties other than those of the Authority. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

**(x) Loan Payments**

The principal and interest components of the Loan Payments are structured to produce Revenues sufficient to pay principal of and interest on the Bonds when due. The Loan Agreements are subject to optional prepayment prior to maturity (see “THE BONDS—Redemption,” herein). The table set forth under the caption “THE BONDS—Annual Loan Payment Schedule” illustrates the sufficiency of the Loan Payments to pay scheduled debt service on the Bonds.

**(y) Security of Loans; Equal Security**

Except as provided in the Loan Agreements, the Project Area 2 Loan will be secured by a first pledge of, security interest in and lien on all of the Tax Revenues generated from Project Area 2, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, and the Apple Valley-VVEDA Loan will be secured by a first pledge of, security interest in and lien on all of the Apple Valley share of the Tax Revenues generated from the Apple Valley Subarea of the VVEDA Project Area, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery.

As defined in the Project Area 2 Loan Agreement, “Tax Revenues” means, for any given period, taxes for such period (including all payments and reimbursements, if any, specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitation) eligible for allocation to the Successor Agency pursuant to the Redevelopment Law as provided in the Project Area 2 Redevelopment Plan, but excluding such taxes (if any) (i) constituting amounts payable by the Successor Agency under Section 33607.5 of the Redevelopment Law for payments to affected taxing entities except and to the extent such amounts so payable are payable on a basis subordinate to the payment of the Bonds and any Parity Debt, or (ii) which are required to be deposited into the Successor Agency’s low and moderate income housing fund pursuant to Section 33334.3 of the Redevelopment Law. See Appendix B.

As defined in the Apple Valley-VVEDA Loan Agreement, “Tax Revenues” means all Participating Jurisdictions Tax Increment Revenues allocated to the Town pursuant to the VVEDA JPA (as defined under the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority”) for use in the Town’s jurisdiction within the VVEDA Project Area other than Participating Jurisdictions Tax Increment Revenues allocated to the Town for low and moderate income housing purposes. The VVEDA JPA defines Participating Jurisdictions Tax Increment Revenues to be the tax increment revenues attributable to the VVEDA Project Area, exclusive of certain parcels of land on which the former George Air Force Base was located, in accordance with Health and Safety Code Section 33670(b) and received by VVEDA pursuant to the VVEDA JPA and the VVEDA Project Area Redevelopment Plan. The VVEDA JPA provides that the Town receives the Apple Valley Share of the net tax increment revenues derived from the Apple Valley Subarea of the VVEDA Project Area after the payment of County administrative costs and certain Negotiated Pass-Through Amounts. The “Apple Valley Share” consists of 50% of the net non-housing tax increment revenues attributable to the Apple Valley Subarea after payment of County administrative charges and Negotiated Pass-Through Amounts, plus all amounts previously required to be deposited into the low and moderate income housing fund under the Redevelopment Law. Thus, Tax Revenues as defined in the Apple Valley-VVEDA Loan Agreement consist of the Apple Valley Share of the tax increment revenue generated from the Apple Valley Subarea of the VVEDA Project Area, after payment of County administrative costs and Negotiated Pass-Through Amounts.

The VVEDA JPA required VVEDA to transfer the Apple Valley Share to the Former Agency for use within the Apple Valley Subarea, including payment of debt service on the 2005 VVEDA Project Area Bonds and the 2007 VVEDA Project Area Bonds (collectively, the “VVEDA Project Area Bonds”). Following the dissolution of redevelopment agencies in California, the Successor Agency, VVEDA, DOF and the County Auditor-Controller have continued to administer the obligation of VVEDA to distribute Tax Revenues to the Successor Agency to the extent needed to pay debt service on the VVEDA Project Area Bonds, as described under the caption “—Recognized Obligation Payment Schedule.” See the captions “THE REDEVELOPMENT PLANS” and “THE PROJECT AREAS,” as well as Appendix B.

Taxes levied on the property within the Project Areas on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Areas, to the extent that they constitute Tax Revenues, will be deposited in the Redevelopment Property Tax Trust Funds established for the Successor Agency and VVEDA, for transfer by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund and VVEDA's Redevelopment Obligation Retirement Fund, respectively, on January 2 and June 1 of each year to the extent required for payments listed in the approved Recognized Obligation Payment Schedules submitted to DOF by the Successor Agency and VVEDA in accordance with the requirements of the Dissolution Act. See the caption "—Recognized Obligation Payment Schedule." Tax Revenues deposited by the County Auditor-Controller into the Successor Agency's Redevelopment Obligation Retirement Fund, or transferred by VVEDA to the Successor Agency from VVEDA's Redevelopment Obligation Retirement Fund, will be transferred by the Successor Agency on behalf of the Authority to the Trustee for deposit in the Revenue Fund established under the Indenture. Amounts in the Revenue Fund will be administered by the Trustee in accordance with the Indenture. See the caption "—Recognized Obligation Payment Schedule."

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements set forth in the Indenture to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Indenture.

**(z) Redevelopment Obligation Retirement Fund; Special Fund;  
Deposit of Tax Revenues**

The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act. There are established under the Loan Agreements special funds to be known as the "Project Area No. 2 Special Fund" and the "VVEDA Project Area Special Fund" which are to be held by the Successor Agency within the Redevelopment Obligation Retirement Fund and which will also be known collectively as the "Special Funds." The Special Funds will be held by the Successor Agency separate and apart from other funds of the Successor Agency.

The Successor Agency will deposit all of the Tax Revenues received on or about each RPTTF Distribution Date into the Special Funds promptly upon receipt thereof by the Successor Agency. All Tax Revenues received by the Successor Agency in excess of the amount required to make the deposits required by the Loan Agreements in order to pay debt service on the Loans and to make any other payments due under the Loan Agreements, and except as may be provided to the contrary in the Loan Agreements or in any Parity Debt Instrument, will be released from the pledge and lien of the Loan



Agreements and will be applied in accordance with the Redevelopment Law and the Dissolution Act, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Loans and the payment in full of all other amounts payable under the Loan Agreements and under any Parity Debt Instrument, the Successor Agency will not have any beneficial right or interest in the moneys on deposit in the Special Funds, except as may be provided in the Loan Agreements and in any Parity Debt Instrument.

**(aa) Transfer of Tax Revenues to the Trustee**

The Successor Agency will withdraw from each Special Fund and transfer to the Trustee the following amounts at the following times and in the following order of priority:

***Interest and Principal Deposits.*** No later than the fifth Business Day next preceding each Interest Payment Date (each a “Loan Payment Date”), the Successor Agency will withdraw from each Special Fund and transfer to the Trustee on behalf of the Authority for deposit in the Revenue Fund an amount equal to the aggregate amount of principal of and interest on the applicable Loan becoming due and payable on such Loan Payment Date.

***Reserve Account Deposits.*** The Successor Agency will withdraw from each Special Fund and transfer to the Trustee for deposit in the subaccounts of the Reserve Account the amounts set forth in a notice delivered to the Successor Agency by the Trustee pursuant to the Indenture. If there are not sufficient Tax Revenues to transfer an amount sufficient to maintain the portion of the Reserve Requirement attributable to the applicable Loan on deposit in the applicable subaccount of the Reserve Account, the Successor Agency will continue making transfers as Tax Revenues become available until there is an amount sufficient to maintain the portion of the Reserve Requirement attributable to the applicable Loan on deposit in the applicable subaccount of the Reserve Account. No such transfers and deposits need be made to the Reserve Account so long as there are on deposit therein a sum at least equal to the Reserve Requirement.

***Surplus.*** The Successor Agency is not obligated to deposit in the Special Funds in the Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Funds, exceeds the amounts required to be transferred to the Trustee in such Bond Year from the Special Funds pursuant to Loan Agreements. In the event that for any reason whatsoever any amounts remain on deposit in either Special Fund on any June 2 after making all of the transfers from such Special Fund theretofore required to be made pursuant to the applicable Loan Agreement, the Successor Agency will withdraw such amounts from such Special Fund, to be used for any lawful purposes of the Successor Agency.

**(bb) Deposit and Application of Revenues by Trustee**

All Revenues received by the Trustee will be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the “Revenue Fund” which the

Trustee will establish, maintain and hold in trust. On or before each Interest Payment Date and redemption date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

***Interest Account.*** On or before each Interest Payment Date or date of redemption, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds or such redemption date for the Bonds to be redeemed on such date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds or such redemption date for the Bonds to be redeemed on such date on the next succeeding Interest Payment Date. All monies in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds and after payment of any amounts then owed to the Trustee, will be withdrawn therefrom by the Trustee and transferred to the Successor Agency to be used for any lawful purposes of the Successor Agency.

***Principal Account.*** On or before each Interest Payment Date or redemption date on which the principal of the Bonds is payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, or the redemption price of the Bonds (consisting of the principal amount thereof and any applicable redemption premiums) required to be redeemed on such Interest Payment Date. All monies in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Serial Bonds at the maturity thereof, (ii) paying the principal of the Term Bonds upon the mandatory sinking fund redemption thereof or upon the maturity thereof, or (iii) paying the principal of and premium (if any) on any Bonds upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable and any amounts then owed to the Trustee, will be withdrawn therefrom and transferred to the Successor Agency to be used for any lawful purposes of the Successor Agency.

***Reserve Account.*** The Trustee will hold funds of the Reserve Account in subaccounts therein to be named the "Project Area 2 Loan Reserve Subaccount" and the "Apple Valley-VVEDA Loan Reserve Subaccount." The Reserve Requirement for the Bonds will be satisfied in full by the delivery of the Reserve Policy by the Insurer on the Closing Date. The Authority will have no obligation to replace or supplement the Reserve

Policy or to fund the Reserve Account with cash if, at any time that the Bonds are Outstanding, any rating assigned to the Insurer is downgraded, suspended or withdrawn, the Insurer fails to perform under the Reserve Policy, or amounts are not available under the Reserve Policy, other than in connection with a draw on the Reserve Policy.

Except as described above, the amount on deposit in the Reserve Account will be maintained at the Reserve Requirement at all times prior to the payment of the Bonds in full. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the Authority and the Successor Agency of such fact. Promptly upon receipt of any such notice, the Successor Agency will withdraw from the applicable Special Fund (as defined in the Loan Agreements) and transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

Amounts in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on any date on which the principal of or interest on the Bonds becomes due and payable under the Indenture, in the event of any deficiency at any time in any of such accounts attributable to a deficiency in a Project Area 2 Loan Payment or an Apple Valley-VVEDA Loan Payment, or at any time in connection with a Project Area 2 Loan prepayment or Apple Valley-VVEDA Loan prepayment or the retirement of all the Bonds then Outstanding.

The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts with respect to the payment of debt service on the Bonds. In no event shall amounts in the Reserve Account be applied to payment of any bonds or other obligations, other than the Bonds

The term "Reserve Requirement" means, as of any calculation date, an amount equal to the lesser of (i) 10% of the sum of the initial principal amount of the Bonds plus any original issue premium on the Bonds; (ii) Maximum Annual Debt Service on all outstanding Bonds; or (iii) 125% of average Annual Debt Service on all outstanding Bonds. Notwithstanding the foregoing, (a) the Reserve Requirement for the Bonds shall be satisfied by the delivery of the Reserve Policy on the Closing Date and (b) the Reserve Requirement shall not increase following the Closing Date.

**Rebate Account.** On such date as may be specified by the Authority in writing to the Trustee, the Trustee shall deposit in the Rebate Account an amount determined by the Authority to be subject to rebate to the United States of America in accordance with the Indenture and paid to the Trustee for such purpose by the Successor Agency pursuant to the Loan Agreements. Amounts in the Rebate Account shall be applied and disbursed by the Trustee solely for the purposes and at the times set forth in Requests of the Authority delivered to the Trustee, each of which Requests shall be accompanied by all applicable forms required by the Tax Code, if any, completed and duly executed by the Authority.

## (cc) Tax Increment Financing

**General.** Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming that the taxable valuation never dropped below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

The Dissolution Act authorizes refunding indebtedness issued by a successor agency, including the Loans, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller. Under the Loan Agreements, Tax Revenues generally consist of the tax increment revenues generated within the Project Areas and deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act, excluding payments of Negotiated Pass-Through Amounts (as defined under the subcaption “—*Tax Sharing*”) with respect to the Apple Valley Subarea of the VVEDA Project Area, and excluding amounts required to be deposited into the Housing Fund in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law and the Dissolution Act (no deposits to the Housing Fund are anticipated). Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See the caption “RISK FACTORS.”

The Dissolution Act states that, to the extent that the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area: “It is the intent ... that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any redevelopment agency will not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The Dissolution Act further provides that when a successor agency issues or incurs bonds or other indebtedness to refund bonds of the former redevelopment agency or the successor agency for debt service savings, “the successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms.” The Project Area

2 Bonds were secured by a pledge of and lien on Tax Revenues from Project Area 2 only, and the VVEDA Project Area Bonds were secured by a pledge of and lien on Tax Revenues from the Apple Valley Subarea of the VVEDA Project Area only. The Loan Agreements provide that only the Tax Revenues from Project Area 2 will secure the Project Area 2 Loan, and only the Tax Revenues from the Apple Valley Subarea of the VVEDA Project Area will secure the Apple Valley-VVEDA Loan.

**Tax Sharing.** The Redevelopment Law authorized redevelopment agencies to make payments to school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. VVEDA entered into several of these agreements and further provided for certain negotiated pass-through payments to taxing entities in the VVEDA Project Area Redevelopment Plan, which impact the Apple Valley Subarea of the VVEDA Project Area (collectively, the “Negotiated Pass-Through Amounts”), as described under the caption “—Pass-Through Payments.” Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). Statutory Pass-Through Amounts are payable from Project Area 2. The Dissolution Act requires county auditor-controllers to distribute from the Redevelopment Property Tax Trust Fund the Negotiated Pass-Through Amounts and the Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless: (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Successor Agency; (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments and the Successor Agency’s administrative cost allowance for the applicable six-month period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s enforceable obligations, pass-through payments and the Successor Agency’s administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable six-month period in order to

fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for Negotiated Pass-Through Amounts and Statutory Pass-Through Amounts, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Pass-Through Amounts subordinate to the Loans. [The Successor Agency has undertaken the requisite procedures to obtain such subordination of the Statutory Pass-Through Amounts with respect to Project Area 2 and there are no Pass-Through Agreements with respect to Project Area 2; therefore, amounts due as Pass-Through Payments with respect to Project Area 2 are subordinate to the Project Area 2 Loan.] Negotiated Pass-Through Amounts payable with respect to the Apple Valley Subarea of the VVEDA Project Area are negotiated pass-throughs and are not subordinated to the Successor Agency's obligation to make Loan Payments pursuant to the Apple Valley-VVEDA Loan Agreement. See the captions "THE PROJECT AREAS," "—Pass-Through Payments," and "—Recognized Obligation Payment Schedule" for additional information regarding the Pass-Through Payments applicable to the Successor Agency and the revenues derived from the Project Areas. [SUBJECT TO CONFIRMATION OF SUBORDINATION]

***Housing Set-Aside; Housing Fund.*** Before the dissolution of the Former Agency, the Redevelopment Law required the Former Agency and VVEDA to set aside not less than 20% of the gross tax increment with respect to the Project Areas, referred to as the "Housing Set-Aside," in the Housing Fund to be expended for low and moderate income housing purposes. In contrast, under the Redevelopment Law, the Former Agency and VVEDA's participating jurisdictions, including the Town, were authorized to use the portion of tax increment that was not part of the Housing Set-Aside (the "80 Percent Portion") to pay debt service on all bonds and other indebtedness of the Former Agency incurred to finance or refinance redevelopment projects for the Project Areas, subject to limitations set forth in the indentures or other governing documents.

The Dissolution Act has eliminated the Housing Fund and the requirement to deposit the Housing Set-Aside into such fund. None of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund are expressly designated as the Housing Set-Aside under the Dissolution Act. The Redevelopment Property Tax Trust Fund flow of funds under the Dissolution Act makes no distinction between bonds that were, in whole or in part, secured by and payable from the Housing Set-Aside and bonds that were solely secured by and payable from the 80 Percent Portion. None of the Former Agency, VVEDA, or SCLAA had any bonds secured by and payable from the Housing Set-Aside allocable to the Apple Valley Subarea. Pursuant to the VVEDA JPA, the entire Housing Set-Aside amount allocable to the Apple Valley Subarea is now allocated to the Successor Agency (not SCLAA) and available to pay Apple Valley-VVEDA Loan Payments.

## **(dd) Recognized Obligation Payment Schedule**

The Dissolution Act requires successor agencies, on or before February 1 of each year, to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as such term is defined in the Dissolution Act) of the successor agency for the following Fiscal Year are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Housing Fund; (ii) bond proceeds; (iii) reserve balances; (iv) administrative cost allowance; (v) the Redevelopment Property Tax Trust Fund (but only to the extent that no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act); or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by its oversight board).

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

Recognized Obligation Payment Schedules must be submitted by each successor agency, after approval by the successor agency's countywide oversight board, to the county administrative officer, the county auditor-controller, the DOF and the State Controller by February 1 in each year with respect to the successor agency's payment obligations during the next Fiscal Year. If a successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by such deadline, the city or county that provides for the governance of that successor agency will be subject to a civil penalty equal to \$10,000 per day for every day that the schedule is not submitted. Additionally, the successor agency's administrative cost allowance would be reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. For additional

information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Loans, see the caption “RISK FACTORS—Recognized Obligation Payment Schedule.”

The Dissolution Act requires the DOF to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the DOF, a successor agency may request additional review by the DOF and an opportunity to meet and confer on disputed items, if any. The DOF will notify the successor agency and the county auditor-controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. Additionally, the county auditor-controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the county auditor-controller must provide notice of any such objections to the successor agency, the oversight board and the DOF at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable.

See the caption “—Last and Final Recognized Obligation Payment Schedule” for a description of the Last and Final Recognized Obligation Payment Schedule authorized by the Dissolution Act pursuant to SB 107.

In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in a Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of: (i) property tax to be allocated and distributed; and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and DOF by no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the county auditor-controller, a successor agency determines and reports, no later than December 1 or May 1, as applicable, that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to the successor agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the former redevelopment agency and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, the successor agency’s enforceable obligations listed on the Recognized Obligation Payment Schedule and the Successor Agency’s administrative cost allowance, the county auditor-controller must notify the State Controller and the DOF by no later than 10 days from the date of the successor agency’s notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under the caption “—Tax Increment Financing.”

The Dissolution Act provides that any bonds authorized to be issued by a successor agency will be considered indebtedness incurred by the dissolved redevelopment agency, with the same legal effect as if such bonds had been issued prior



to the effective date of AB X1 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to such date, will be included in the successor agency's Recognized Obligation Payment Schedule and will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act. Further, the Dissolution Act provides that the scheduled payments on bonds issued by a successor agency with the approval of the oversight board and DOF shall be listed in the Recognized Obligation Payment Schedule and shall not be subject to further review and approval by the department or the Controller.

***Apple Valley and VVEDA Recognized Obligation Payment Schedules and RPTTF Disbursements.*** The Former Agency and VVEDA operated as separate redevelopment agencies under the Redevelopment Law. The Successor Agency and VVEDA now operate as separate successor agencies under the Dissolution Act. The County Auditor-Controller has established the Apple Valley RPTTF as a separate Redevelopment Property Tax Trust Fund for the Successor Agency and has established the VVEDA RPTTF as a separate Redevelopment Property Tax Trust Fund for VVEDA. The County Auditor-Controller deposits tax increment revenues generated from properties in Project Area 2 into the Apple Valley RPTTF and deposits tax increment revenues generated from properties in the VVEDA Project Area (including the Apple Valley Subarea) into the VVEDA RPTTF. The Successor Agency and VVEDA are each responsible for submitting separate annual Recognized Obligation Payment Schedules including all payments required under enforceable obligations of the Successor Agency and VVEDA, respectively.

The Successor Agency has included all scheduled debt service payments on the Refunded Bonds on each prior Recognized Obligation Payment Schedule submitted by the Successor Agency. On each Recognized Obligation Payment Schedule submitted by the Successor Agency, the Successor Agency has requested disbursements from the Apple Valley RPTTF to pay debt service on the 2007 Project Area 2 Bonds, and will continue this practice with respect to Loan Payments on the Project Area 2 Loan. Because debt service on the VVEDA Project Area Bonds (defined under the caption "THE REFUNDING PLAN") was payable from tax increment generated in the Apple Valley Subarea of the VVEDA Project Area, since the Former Agency was dissolved, the Successor Agency has requested amounts to pay debt service on the VVEDA Project Area Bonds from "Other Funds" on each Recognized Obligation Payment Schedule; such "Other Funds" constitute amounts received from VVEDA for this purpose. The Successor Agency will continue this practice of requesting "Other Funds" to pay Loan Payments on the Apple Valley-VVEDA Loan on each future Recognized Obligation Payment Schedule.

On each prior Recognized Obligation Payment Schedule submitted by VVEDA, VVEDA has requested disbursements from the VVEDA RPTTF to pay debt service on the VVEDA Project Area Bonds and has transferred such amounts to the Successor Agency to enable the Successor Agency to pay scheduled debt service on the VVEDA Project Area Bonds when due. VVEDA is expected to continue this practice for purposes of enabling the Successor Agency to pay Loan Payments on the Apple Valley-VVEDA Loan when due. Amounts available for transfer by VVEDA to the Successor Agency for

payment of Apple Valley-VVEDA Loan Payments will be limited to available Tax Revenues, specifically the Apple Valley Share of tax increment generated by properties in the Apple Valley Subarea of the VVEDA Project Area, after payment of County administrative charges and Negotiated Pass-Through Amounts. The Successor Agency has received sufficient moneys from VVEDA through the process described above in a timely manner and has made all debt service payments on the Refunded Bonds on or prior to the scheduled payment date. As described under the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority—*VVEDA Successor Agency*,” the Town currently serves as the Treasurer of VVEDA, with responsibility for transferring amounts received from the VVEDA RPTTF to the Successor Agency, SCLAA, and other payees listed on the VVEDA Recognized Obligation Payment Schedule. See the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority—*VVEDA Successor Agency*” for more information regarding the process VVEDA uses for determining the amounts available to make payments to the Successor Agency and SCLAA provided for in the VVEDA Recognized Obligation Payment Schedules.

***Covenants Relating to Recognized Obligation Payment Schedule.*** The Successor Agency has covenanted in the Loan Agreements to take all actions required under the Dissolution Act to include scheduled debt service on the Loans and any Parity Debt, any amount required under Indenture to replenish the Reserve Account established thereunder or the reserve account established in connection with any Parity Debt and any amount due to the Insurer or any insurer of Parity Debt in Recognized Obligation Payment Schedules for each ROPS Period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund on each RPTTF Distribution Date amounts required for the Successor Agency to pay Loan Payments, as well as the other amounts described above.

**Project Area 2 Loan Agreement.** In order to ensure that amounts are available for the Successor Agency to make Project Area 2 Loan Payments on a timely basis, on or before each February 1 following the Closing Date (or at such other time as may be required by the Dissolution Act), for so long as the Project Area 2 Loan is outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller that shall include all Project Area 2 Loan Payments coming due during the Bond Year commencing during such ROPS Period (defined as the period from July 1 through the following June 30), and requesting that moneys be disbursed to the Successor Agency from the Apple Valley RPTTF as described in paragraphs (a), (b), (c) and (d) below under the subcaption “*Required ROPS Requests.*”

**Apple Valley-VVEDA Loan Agreement.** In order to ensure that amounts are available for the Successor Agency to make Apple Valley-VVEDA Loan Payments on a timely basis, on or before each February 1 following the Closing Date (or at such other time as may be required by the Dissolution Act), for so long as the Apple Valley-VVEDA Loan is outstanding, the Successor Agency shall submit, and shall use its best efforts to

cause VVEDA to also submit, an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the County Auditor-Controller. The Recognized Obligation Payment Schedules submitted by the Successor Agency and VVEDA shall both include all Apple Valley-VVEDA Loan Payments coming due during the Bond Year commencing during such ROPS Period, and requesting that moneys be disbursed to the Successor Agency from the Redevelopment Property Tax Trust Fund as described in subsections (a), (b), (c), and (d) below under the subcaption “Required ROPS Requests”; provided, that the Recognized Obligation Payment Schedule submitted by VVEDA shall request such amounts from the VVEDA RPTTF and the Recognized Obligation Payment Schedule submitted by the Successor Agency shall provide for such payments to be made from “Other Funds” (namely, amounts to be received from VVEDA pursuant to the VVEDA JPA and the VVEDA Recognized Obligation Payments Schedule).

Required ROPS Requests. During the term of the Bonds, each Recognized Obligation Payment Schedule submitted by the Successor Agency shall (and, with respect to the Apple Valley-VVEDA Loan Payments, the Successor Agency will use its best efforts to cause Recognized Obligation Payment Schedules submitted by VVEDA to) request the following amounts:

(a) Amounts needed to pay the interest payment coming due under the applicable Loan Agreement on the following December 1 and one half of the principal payment coming due under the applicable Loan Agreement on the June 1 thereafter shall be requested from the moneys to be distributed on the June 1 RPTTF Distribution Date addressed by such Recognized Obligation Payment Schedule. As an example, the Recognized Obligation Payment Schedule to be submitted by the Successor Agency and VVEDA on or before February 1, 2021 shall request, from the moneys to be distributed to the Successor Agency and VVEDA on the June 1, 2021 RPTTF Distribution Date, an amount sufficient to pay the interest payment coming due under the applicable Loan Agreement on December 1, 2021 and one half of the principal payment coming due under the applicable Loan Agreement on June 1, 2022.

(b) Amounts needed to pay the interest payment coming due under the applicable Loan Agreement on the June 1 in the following calendar year and one half of the principal payment coming due under the applicable Loan Agreement on such June 1 shall be requested from the moneys to be distributed on the January 2, RPTTF Distribution Date addressed by such Recognized Obligation Payment Schedule. As an example, the Recognized Obligation Payment Schedule to be submitted by the Successor Agency and VVEDA on or before February 1, 2021 shall request, from the moneys to be distributed to the Successor Agency and VVEDA on the January 2, 2022 RPTTF Distribution Date, an amount sufficient to pay the interest payment coming due under the applicable Loan Agreement on June 1, 2022 and one half of the principal payment coming due under the applicable Loan Agreement on June 1, 2022.

(c) All amounts required to cure any deficiency in the Project Area Loan Reserve Subaccount and/or the Apple Valley-VVEDA Loan Reserve Subaccount, as applicable, pursuant to the Indenture and any reserve account established in connection

with any Parity Debt shall be requested from the June 1 RPTTF Distribution Date, to the extent moneys are projected to be available for distribution from the applicable Redevelopment Property Tax Trust Fund on such June 1 RPTTF Distribution Date, with any projected deficiency requested from the January 2 RPTTF Distribution Date.

(d) All [amounts due and owing to the Insurer under the Indenture] or to any other insurer of Parity Debt and any other amounts coming due under the applicable Loan Agreement or with respect to any Parity Debt shall be requested from the June 1 RPTTF Distribution Date, to the extent moneys are projected to be available for distribution from the applicable Redevelopment Property Tax Trust Fund on such June 1 RPTTF Distribution Date, with any projected deficiency requested from the January 2 RPTTF Distribution Date.

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency agrees to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of Loan Payments and other Parity Debt and, if the timing of distributions from Redevelopment Property Tax Trust Funds is changed, the receipt of (i) not less than one half of the Loan Payments due during each Bond Year prior to December 1 of such Bond Year, and (ii) the remainder of the Loan Payments due during such Bond Year prior to the next succeeding June 1.

The Fiscal Consultant's Reports attached hereto as Appendices A-1 and A-2 contain information regarding past Redevelopment Property Tax Trust Fund distributions to the Successor Agency from each of the Project Areas.

### **(ee) Last and Final Recognized Obligation Payment Schedule**

SB 107 amended the Dissolution Act to permit a successor agency to submit a Last and Final Recognized Obligation Payment Schedule (a "Last and Final ROPS") for approval by the oversight board and DOF if: (i) the successor agency's only remaining debt is administrative costs and payments pursuant to enforceable obligations with defined payment schedules, (ii) all remaining obligations have been previously listed on a Recognized Obligation Payment Schedule and approved by DOF, and (iii) the successor agency is not a party to outstanding or unresolved litigation. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency in the following order: (A) enforceable obligations to be funded from the Redevelopment Property Tax Trust Fund, (B) enforceable obligations to be funded from bond proceeds or other legally or contractually dedicated or restricted funding sources, and (C) loans or deferrals authorized for repayment to The Town that created the redevelopment agency or the successor to the former redevelopment agency's housing functions and assets. The Last and Final ROPS must also include the total outstanding obligation and a schedule of remaining payments for each enforceable obligation described in (A) and (B) above, and the total outstanding obligation and an interest rate of 4%, for any loans or deferrals listed pursuant to (C) above. The Last and Final ROPS shall also establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the

successor agency for each remaining fiscal year until all obligations have been fully paid. DOF approval is required for any Last and Final ROPS to become effective. The county auditor-controller shall also review the Last and Final ROPS and provide any objection to the inclusion of any items or amounts to DOF. Successor agencies may only amend an approved Last and Final ROPS twice. Commencing on the effective date of the approved Last and Final ROPS, the successor agency will not prepare or transmit annual Recognized Obligation Payment Schedules. See the caption “RISK FACTORS—Last and Final Recognized Obligation Payment Schedule.”

After the Last and Final ROPS is approved by DOF, the county auditor-controller shall continue to allocate moneys in the successor agency’s Redevelopment Property Tax Trust Fund pursuant to Section 34183 of the Dissolution Act; however, the county auditor-controller shall allocate such moneys in each fiscal period, after deducting the county auditor-controller’s administrative costs, in the following order of priority: (A) pass through payments pursuant to Section 34183(a)(1) of the Dissolution Act, (B) scheduled debt service payments on tax allocation bonds listed and approved in the Last and Final ROPS, (C) scheduled payments on revenue bonds listed and approved in the Last and Final ROPS, but only to the extent the revenues pledged for them are insufficient to make the payments and only if the successor agency’s tax increment revenues were also pledged for the repayment of bonds, (D) scheduled payments for debts and obligations listed and approved in the Last and Final ROPS to be paid from the Redevelopment Property Tax Trust Fund, (E) payments listed and approved on the Last and Final ROPS that were authorized but unfunded in prior periods, (F) repayment of loans and deferrals to The Town that created the redevelopment agency or the successor to the former redevelopment agency’s housing functions and assets that are listed and approved on the Last and Final ROPS, and (G) any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers described in (A) to (F), above, shall be distributed to taxing entities in accordance with Section 34183(a)(4) of the Dissolution Act.

If the successor agency reports to the county auditor-controller that the total available amounts in the Redevelopment Property Tax Trust Fund will be insufficient to fund the successor agency’s current or future fiscal year obligations, and if the county auditor-controller concurs that there are insufficient funds to pay the required obligations, the county auditor-controller may distribute funds pursuant to Section 34183(b) of the Dissolution Act. See the caption “—Tax Increment Financing.”

The Successor Agency has no current plans to seek approval of a Last and Final ROPS. [The Successor Agency has covenanted in the Loan Agreements not to cooperate with VVEDA in connection with the submittal by VVEDA, and not to submit, to the Oversight Board or the DOF, a request for the final amendment permitted for any Last and Final Recognized Obligation Payment Schedule of VVEDA or the Successor Agency without the prior written consent of the Insurer, unless all amounts that could become due and payable to the Insurer under the Indenture and attributable to Loan Payments due under the applicable Loan Agreement would be included as a line item on such Last and Final Recognized Obligation Payment Schedule, as amended.]

## (ff) Pass-Through Payments

The Successor Agency's pledge of Tax Revenues to payment on the Loans is subject to the prior payment of certain Negotiated Pass-Through Amounts and Statutory Pass-Through Amounts (referred to collectively in this Official Statement as the "Pass-Through Payments"), as described below:

***Negotiated Pass-Through Amounts.*** Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay former tax increment revenues to any affected taxing agency that has territory located within a redevelopment project in an amount which in the redevelopment agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These pass-through agreements normally provided for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. Project Area 2 was created after 1994 and therefore did not enter into any pass-through agreements with other taxing entities. Payment of certain Negotiated Pass-Through Amounts to other taxing entities are required from the Apple Valley Subarea of the VVEDA Project Area pursuant to certain pass-through agreements and the VVEDA Project Area Redevelopment Plan, as described below.

Payments Required by the VVEDA Project Area Redevelopment Plan. Section 703 of the VVEDA Project Area Redevelopment Plan provides that the following taxing entities are excluded from the definition of "Tax Increment" as defined in the VVEDA Project Area Redevelopment Plan with respect to the Original VVEDA Project Area, and therefore will receive 100% of their share of tax increment: Apple Valley Fire Protection District; Mojave Water Agency; Baldy Mesa County Water District; Mojave River County Water District; Apple Valley Park District and Hesperia Park District. The County Auditor-Controller makes payments to these entities.

The VVEDA Redevelopment Plan also provides for the Town and the Cities of Victorville and Hesperia to receive tax increment generated from application of their own tax rates to the portion of the VVEDA Project Area within their city's jurisdiction that exceeds 5.2935%. VVEDA retains any revenue generated by the first 5.2935% of each city's tax rate. The County is also paid increment generated by the portion of their tax rate (including any special districts governed by the County Board of Supervisors) that exceeds 5.2935% and VVEDA retains revenue from the first 5.2935%.

The County Auditor-Controller changed its pass-through payment calculation methodology beginning in Fiscal Year 2019-20 to include additional special districts governed by the County Board of Supervisors that were previously excluded. This resulted in a higher pass-through payment to the County and special districts. Fiscal Year 2019-20 pass-through payments made in January 2020 and June 2020 were based on the new methodology; the County Auditor-Controller also distributed true-up payments for any differences owed for Fiscal Year 2018-19 pass-through payments based on the new methodology. The VVEDA Successor Agency is currently reviewing the new methodology to discuss with the County Auditor-Controller. The projected Tax Revenues

for the Apple Valley Subarea of the VVEDA Project Area contained in this Official Statement and the Fiscal Consultant's Report in Appendix A-2 assume that 41.59% of gross tax revenues will be distributed as Negotiated Pass-Through Amounts based on the County Auditor-Controller's new calculation methodology. If any changes are made to the calculation methodology as a result of discussions between the VVEDA Successor Agency and the County Auditor-Controller, it is possible the percentage of gross tax revenues distributed as Pass-Through Payments will decrease, resulting in more net revenues available to pay the Apple Valley-VVEDA Loan.

Pass-Through Agreements (Original VVEDA Project Area). VVEDA entered into pass-through agreements with the County Superintendent of Schools, Adelanto Elementary School District, Victorville Elementary School District, Oro Grande Elementary School District, Victor Valley High School District, Apple Valley Unified School District, Hesperia Unified School District and Victor Valley Community College District. Pursuant to these agreements the County Superintendent receives 100% of their share of tax increment revenue, and all other districts receive 32.5% of their share of tax increment revenue as Negotiated Pass-Through Amounts.

For more information about the Negotiated Pass-Through Amounts, see the Fiscal Consultant's Report relating to the VVEDA Project Area, which is attached to this Official Statement as Appendix A-2.

**Statutory Pass-Through Amounts.** Assembly Bill 1290 (Chapter 942, Statutes of 1993) ("AB 1290"), effective January 1, 1994, eliminated the statutory authority for negotiated pass-through agreements and provided a formula for mandatory tax sharing, applicable to projects adopted after January 1, 1994 or amended after that date to add territory or make certain other amendments. These payments, which are to begin the fiscal year following the year a redevelopment plan was adopted (if after January 1, 1994) or the fiscal year following the year that a redevelopment plan's original plan limitations would have taken effect (in the case of pre-1994 redevelopment plans), are calculated using the increase in revenue above the amount of revenue generated by the project area in the year that the redevelopment plan was adopted or the former limit would have been reached, as applicable. Under the Dissolution Act, in particular Section 34183, the County Auditor-Controller is obligated to remit these Statutory Pass-Through Amounts to the affected taxing entities from a successor agency's RPTTF for each ROPS period.

Generally speaking, under the Redevelopment Law as amended by AB 1290 and as the obligation continues under the Dissolution Act, the Successor Agency is required to pay to the affecting taxing entities percentages of tax increment generated in a redevelopment project area as the Statutory Pass-Through Amounts, as follows:

1. following the adoption of the redevelopment plan or expiration of the existing time limit to incur debt (as applicable) and thereafter, 25% of tax increment revenues (after deducting the Housing Set-Aside amount); plus,

2. for the eleventh year following the triggering event and thereafter, 21% of revenues in excess of tenth year revenue (after deducting the Housing Set-Aside amount); plus,

3. for the thirty-first year following the triggering event and thereafter, 14% of revenues in excess of thirtieth year revenues (after deducting the Housing Set-Aside amount).

The payments of the Statutory Pass-Through Amounts to the affected taxing entities are allocated among each affected taxing entity in proportion to the share of property taxes each affected taxing entity received in the year funds are allocated. As indicated, amounts specified as payable to affected taxing entities are computed after deducting the Housing Set-Aside amounts even though the Successor Agency no longer receives Housing Set-Aside under the Dissolution Act. As further described herein under the caption “REDEVELOPMENT PLANS—Project Area 2,” the Town established Project Area 2 after 1994 and, accordingly, the Successor Agency is required to pay the Statutory Pass-Through Amounts to affected taxing agencies. These tax sharing payments continue so long as tax increment is available to repay indebtedness in Project Area 2. [The Statutory Pass-Through Amounts have been subordinated to Loan Payments under the Project Area 2 Loan.]

No Statutory Pass-Through Amounts are required for the Original VVEDA Project Area, and while Statutory Pass-Through Amounts are required for the Amendment VIII Added Area, as described under the caption “THE PROJECT AREAS,” the Apple Valley Subarea portion of the Amendment VIII Added Area is not projected to generate tax increment revenues, and therefore subordination was not requested for the Apple Valley-VVEDA Loan. See the captions “—Tax Increment Financing—*Tax Sharing*” and “TAX REVENUES—Projected Tax Revenues.”

For more information about the Statutory Pass-Through Amounts, see the Fiscal Consultant’s Report relating to Project Area 2, which is attached to this Official Statement as Appendix A-1.

### **(gg) Unsecured Successor Agency Obligations**

The Successor Agency has determined that its other outstanding obligations are not secured by a pledge of Tax Revenues.

Certain amounts deposited into the VVEDA RPTTF (but not the Tax Revenues) are pledged by Southern California Logistics Airport Authority (“SCLAA”) to secure debt service on bonds issued by SCLAA under authority set forth in the VVEDA JPA. See the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority—*VVEDA Successor Agency*” for more information regarding the process under which VVEDA requests money from the VVEDA RPTTF to enable the Successor Agency to pay the Apple Valley-VVEDA Loans and to enable SCLAA to pay its bonds.



**(hh) Limitation on Additional Indebtedness**

**Parity Debt.** Pursuant to each Loan Agreement, the Successor Agency may issue or incur Parity Debt solely for the purposes of prepaying all or a portion of the applicable Loan for savings in accordance with the Dissolution Act. In issuing or incurring such Parity Debt, the Successor Agency must satisfy the following specific conditions precedent:

(a) No Event of Default shall have occurred and be continuing, and the Successor Agency shall otherwise be in compliance with all covenants set forth in the applicable Loan Agreement, unless the issuance of such Parity Debt will cure the Event of Default or noncompliance.

(b) The issuance of such Parity Debt must comply with Health and Safety Code Section 34177.5.

(c) The related Parity Debt Instrument must provide that:

(i) Interest on such Parity Debt shall be payable on June 1 and December 1 in each year of the term of such Parity Debt except the first twelve month period, during which interest may be payable on any June 1 or December 1; and

(ii) The principal of such Parity Debt is not payable or subject to mandatory sinking fund redemption on any date other than June 1 in any year.

(d) the Successor Agency will deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt described above have been satisfied.

**Subordinate Obligations.** Pursuant to the Loan Agreements, the Successor Agency may issue or incur Subordinate Debt in such principal amount determined by the Successor Agency. Such Subordinate Debt may be payable from any assets or property of the Successor Agency, including Tax Revenues, on a subordinate basis to the payment of Loan Payments.

**(ii) BOND INSURANCE**

**[TO COME]**

**(jj) PROPERTY TAXATION IN CALIFORNIA**

**(kk) Property Tax Collection Procedures**

**Classification.** In the State, property which 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 county assessors. The secured classification includes property on which any property tax levied by a county becomes a

lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property arising pursuant to State law, regardless of the time of the creation of other liens. See the caption “RISK FACTORS—Bankruptcy and Foreclosure” for certain limitations on the priority of secured tax liens under federal law, however.

Generally, *ad valorem* taxes are collected by a county for the benefit of the various taxing agencies (cities, schools and special districts) that share in the *ad valorem* tax (each, a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Fund.

**Collections.** The method of collecting delinquent taxes is substantially different for secured and unsecured property. Counties have four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer; (ii) 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; (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer; and (iv) seizing and selling 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 the property securing the taxes to the State for the amount of taxes which are delinquent.

**Penalty.** A 10% penalty is added to delinquent taxes which 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 by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% 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% penalty also applies to delinquent taxes with respect to property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date.

In response to the COVID-19 outbreak described under the caption “RISK FACTORS—COVID-19 (Coronavirus) Pandemic,” on March 24, 2020 the County Auditor Controller stated that it would waive penalties for late property tax payments for payments made between April 10, 2020 and June 30, 2020. Moreover, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the “Executive Order”), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The County does not include any former redevelopment agency

revenues in its Teeter Plan, and therefore delinquent property taxes may impact the Tax Revenues. See the caption “THE PROJECT AREAS—Levy and Collection” for historical information regarding delinquencies with each of the Project Areas.

The Successor Agency can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues and the timing or amount of deposits into the Redevelopment Property Tax Trust Fund and the Successor Agency’s ability to make payments under the Loan Agreements when due. Further, the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Tax Revenues available to pay debt service on the Loans.

**Delinquencies.** The valuation of property is determined as of the January 1 lien date as equalized in August of 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 August 31. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (known as the Teeter Plan), as provided for in Section 4701 *et seq.* of the Revenue and Taxation Code of the State; however, the County does not include any former redevelopment agency revenues on its Teeter Plan and therefore delinquent property taxes impact the Tax Revenues from each Project Area. See the caption “THE PROJECT AREAS—Levy and Collection” and Appendices A-1 and A-2 for more information regarding property tax delinquencies within each of the Project Areas.

**Supplemental Assessments.** California Revenue and Taxation Code Section 75.70 provides for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, which delayed the realization of increased property taxes from the new assessments for up to 14 months. Revenue and Taxation Code Section 75.70 provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of the Project Areas subsequent to the January 1 lien date. To the extent that such supplemental assessments occur within the Project Areas, Tax Revenues may increase. However, because supplemental assessments cannot be accurately projected, no provision has been made by the Fiscal Consultant to reflect the impact of supplemental assessments on Tax Revenues. See Appendices A-1 and A-2 for additional information regarding historical supplemental property tax revenues in the Project Areas.

**Property Tax Administrative Costs.** In 1990, the State Legislature enacted Senate Bill (“SB”) 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and

34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2019-20, the County's administrative charge to the Successor Agency for Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area was approximately 1.37% and 1.12% of gross tax increment revenues, respectively.

***Negotiated Pass-Through Agreements.*** Prior to 1994, under the Redevelopment Law, a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the redevelopment agency's determination was appropriate to alleviate any financial burden or detriment caused by the redevelopment project. Such agreements normally provide for payment or pass-through of tax increment revenue directed to the affected taxing agency, and, therefore, are commonly referred to as pass-through agreements or tax sharing agreements. These negotiated payments to affected taxing agencies are referred to herein as "Negotiated Pass-Through Amounts." See the caption "SECURITY FOR THE BONDS—Pass-Through Payments—*Negotiated Pass-Through Amounts*" for a discussion of Negotiated Pass-Through Amounts with respect to the Apple Valley Subarea of the VVEDA Project Area. See also the caption "SECURITY FOR THE BONDS—Tax Increment Financing" for additional discussion of the treatment of Negotiated Pass-Through Amounts under the Dissolution Act.

***Statutory Pass-Through Amounts.*** The payment of Statutory Pass-Through Amounts results from: (i) redevelopment plan amendments which add territory in existing project areas on or after January 1, 1994; and (ii) redevelopment plan amendments which eliminate one or more limitations within a redevelopment plan (such as the removal of the time limit on the establishment of loans, advances and indebtedness). The calculation of the amount due to affected taxing entities is described in Sections 33607.5 and 33607.7 of the Redevelopment Law. See the caption "SECURITY FOR THE BONDS—Pass-Through Payments—*Statutory Pass-Through Amounts*" for further information regarding the applicability of the statutory pass-through provisions of the Redevelopment Law and the Dissolution Act to the Project Areas.

***Recognized Obligation Payment Schedule.*** The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. On or before each February 1, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed for the following July 1 through June 30 (Fiscal Year) period, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Successor Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment

Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable.

The Successor Agency and VVEDA are each responsible for submitting separate annual Recognized Obligation Payment Schedules including all payments required under enforceable obligations of the Successor Agency and VVEDA, respectively. The Successor Agency has covenanted in the Loan Agreements to include all Loan Payments in its Recognized Obligation Payment Schedules in accordance with the requirements specified in the Loan Agreements and to cause VVEDA to include all Loan Payments required under the Apple Valley-VVEDA Loan Agreement in VVEDA's Recognized Obligation Payment Schedules in accordance with the requirements specified in the Apple Valley-VVEDA Loan Agreement.

See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule" and "RISK FACTORS—Recognized Obligation Payment Schedule." See also "SECURITY FOR THE BONDS—Last and Final Recognized Obligation Payment Schedule" for a description of the Last and Final ROPS authorized by the Dissolution Act pursuant to SB 107.

## **(II) Unitary Property**

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

AB 454 (Statutes of 1987, Chapter 921) further modified Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. AB 454 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. AB 454 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is located. The intent of AB 2890 and AB 454 is to provide redevelopment agencies with their appropriate share of revenue generated from property assessed by the State Board of Equalization.

The County Auditor-Controller allocated an aggregate total of \$147,654 and \$0 of unitary tax revenue to Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area, respectively, for Fiscal Year 2019-20. Tax Revenues from unitary property are

assumed to remain at Fiscal Year 2019-20 levels for each Project Area for purposes of gross tax increment projections in the Fiscal Consultant's Report.

### **(mm) Article XIII A of the State Constitution**

On June 6, 1978, State voters approved an amendment (commonly known as Proposition 13 or the Jarvis-Gann Initiative) which added Article XIII A to the State Constitution. Article XIII A limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the State Fiscal Year 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." Furthermore, the "full cash value" of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Article XIII A: (i) exempts from the 1% tax limitation taxes to pay debt service on: (a) indebtedness approved by the voters prior to July 1, 1978; or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional *ad valorem* taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the State Supreme Court and the United States Supreme Court.

In the general election held on November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of: (1) real property between spouses; and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county to transfer the old residence assessed value to the new residence. As a result of the State Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

**(nn) Appropriations Limitation – Article XIII B**

On November 6, 1979, State voters approved Proposition 4 (also known as the Gann Initiative), which added Article XIII B to the State Constitution. Article XIII B limits the annual appropriations of the State and its political subdivisions 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 State Fiscal Year 1978-79, 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.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness is not deemed to be the receipt by an agency of proceeds of taxes levied by or on behalf of an agency within the meaning of Article XIII B, nor will such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two State appellate court decisions. On the basis of these decisions, the Successor Agency does not believe that it is subject to Article XIII B and has not adopted an appropriations limit.

**(oo) Articles XIII C and XIII D of the State Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the State Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218. See the caption “—Propositions 218 and 26.”

**(pp) Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on certain bonded indebtedness issued by a taxing entity (not the Former Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness, and *not* to redevelopment agencies.

### **(qq) Redevelopment Time Limits**

In 1993, the State legislature passed AB 1290, Chapter 942, Statutes 1993, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: (i) the last date to incur debt for a redevelopment project; (ii) the last date to undertake redevelopment activity within a project area; and (iii) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, VVEDA adopted ordinances amending the VVEDA Project Area Redevelopment Plan to impose limits on plan activity therein, as well as a date past which tax increment revenue could not be collected. The Project Area 2 Redevelopment Plan was adopted in 1996 and included the limitations required by AB 1290.

SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Successor Agency set forth in the Redevelopment Plans are not effective for purposes of paying the Successor Agency's enforceable obligations. Accordingly, the projections set forth in this Official Statement and in the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2 do not take into account the time and financial limitations set forth in the Redevelopment Plans for the Project Areas. See the caption "THE PROJECT AREAS."

### **(rr) Appeals of Assessed Values**

Pursuant to State law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by November 30 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well. Appeals for reduction in the "base year" value of an assessment, which generally must be made within three years of the date of change in



ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted. See Table 10 in each of the Fiscal Consultant’s Report attached hereto as Appendices A-1 and A-2 for information regarding the appeals pending with respect to the assessed valuations of property owners within Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area.

**(ss) Proposition 8**

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions pursuant to Proposition 8 may be initiated by the County Assessor or requested by the property owner, and such reductions apply only to a single tax year.

After a roll reduction is granted pursuant to Proposition 8, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A 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 XIII A.

The County Assessor has the ability to use Proposition 8 criteria to apply blanket reductions in valuation to classes of property affected by particular negative economic conditions. The Successor Agency is aware that the County Assessor made such reductions to assessed values of residential property in the Project Areas and The Town generally in recent fiscal years, and much of this value has now been restored. The Fiscal Consultant’s Report does not assume any future reductions in assessed valuations as a result of Proposition 8, but there can be no assurance that such reductions will not be made in the future. See the caption “THE PROJECT AREAS” for further information with respect to reductions in assessed value within the Project Areas.

For a summary of the recent history of Proposition 8 reductions in the Project Areas, see “THE PROJECT AREAS—Assessment Appeals.”

**(tt) Propositions 218 and 26**

On November 5, 1996, State voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the State Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the State Constitution. Tax Revenues securing the Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

**(uu) Future Initiatives**

Articles XIIA, XIIB, XIIC and Article XIID to the State Constitution and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Successor Agency’s ability to expend revenues.

**(vv) THE AUTHORITY**

The Authority was established pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code and a Joint Exercise of Powers Agreement, dated as of August 10, 1999, by and between the Town and the Former Agency. The governing board of the Authority is comprised of all of the individuals who currently are members of the Town Council of the Town. The Authority is qualified to assist in the financing of certain public improvements and to issue the Bonds under the JPA Law. The Authority has no taxing power. The Authority and the Town are each separate and distinct legal entities, and the debts and obligations of each such entity are not debts or obligations of the other entity.

**(ww) THE SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**

**(xx) The Former Agency and the Successor Agency**

**Former Agency.** The Former Agency was established pursuant to the Redevelopment Law and was activated by Ordinance No. 127 adopted by the Town Council on October 29, 1993, at which time the Town Council declared itself to be the governing board of the Former Agency. The Former Agency was charged with the authority and responsibility of redeveloping and upgrading blighted areas of the Town.

On June 28, 2011, AB X1 26 was enacted as Chapter 5, Statutes of 2011, together with a companion bill, AB X1 27. A lawsuit entitled *California Redevelopment Association,*

*et al. v. Matosantos, et al.*, was brought in the State Supreme Court challenging the constitutionality of AB X1 26 and AB X1 27. In a published decision (53 Cal. 4th 231 (Dec. 29, 2011)), the State Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the State Supreme Court, as of February 1, 2012, all redevelopment agencies in the State, including the Former Agency, were dissolved, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

On January 10, 2012, pursuant to Resolution No. 2012-03 and Section 34173 of the Dissolution Act, the Town Council of the Town elected to serve as the Successor Agency of the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the Town, that the two entities shall not merge and that the liabilities of the Former Agency will not be transferred to the Town nor will the assets of the Former Agency become assets of the Town.

The Successor Agency is governed by a five-member Board of Directors (the "Board") which consists of the Mayor and members of the Town Council of the Town of Apple Valley. The Mayor acts as the Chair of the Board, the Town Manager as its chief administrative officer and the Town Clerk as its secretary.

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

Previously, Section 33675 of the Redevelopment Law required the Former Agency to file not later than the first day of October of each year with the County Auditor of a statement of indebtedness certified by the chief fiscal officer of the Former Agency for each redevelopment plan which provides for the allocation of taxes (i.e., the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Former Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor-Controller to the Former Agency could not exceed the amounts shown on the

Former Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and that, commencing on such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law. See the caption "SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule."

### **(yy) The Victor Valley Economic Development Authority**

**General.** On January 5, 1989, the Secretary of Defense of the United States announced the planned closure of George Air Force Base, California (the "Base"), pursuant to the Base Closure and Realignment Act (Public Law 100-526). The Base subsequently closed on December 15, 1992.

Concerned about the potential negative economic impacts of the impending closure, elected officials of the County of San Bernardino, the Cities of Adelanto, Hesperia and Victorville, and the Town held a series of organizational meetings and established a joint powers authority, VVEDA, to set in motion a joint reuse planning effort. An agreement was finalized in October 1989 to which the County of San Bernardino, the City of Hesperia, the City of Victorville and the Town became signatories (the "Member Jurisdictions" or "Participating Jurisdictions"). The City of Adelanto later joined as a Member Jurisdiction in 2000.

In recognition of the impact that closure of the Base would have on the surrounding communities, Assembly Bill 419 was signed into law in September 1989 ("Eaves Bill"). The Eaves Bill amended the Redevelopment Law and granted special authority to permit the redevelopment of the Base and other lands "in proximity to" the military facility.

The Eaves Bill granted the authority to create a joint powers agency "which shall have and exclusively exercise powers of an agency in furtherance of the redevelopment of a project area approved by the joint powers agency." Subsequently, VVEDA amended its operating agreement to reflect its recognition of and adoption of the provisions of the Eaves Bill and re-established itself as a separate joint powers agency, retaining the same Member Jurisdictions.

VVEDA was formed pursuant to the JPA Law and the Redevelopment Law to secure a redevelopment project for the properties within or in proximity to the Base. VVEDA's purpose is to plan for the use and reuse of the Base and to acquire, own, maintain and operate it as a commercial and general aviation airport, known as the Southern California Logistics Airport (the "Airport").

**Fourth Amended and Restated VVEDA JPA.** VVEDA Member Jurisdictions are parties to the VVEDA JPA, which provides for the operation of VVEDA as a joint exercise of powers authority under Government Code Section 6500, et seq. VVEDA is governed by the Commission for the Victor Valley Economic Development Authority (the "VVEDA

Commission”) pursuant to the VVEDA JPA. The VVEDA Commission is composed of representatives of each of the VVEDA Member Jurisdictions.

The VVEDA JPA provides that all tax increment generated by former Base parcels (after deduction of Pass-Through Payments) will be used on the former Base property or for projects in proximity to and directly benefiting the Base, with the understanding that Victorville would set aside 20% thereof for the low and moderate-income housing fund. For the portion of the VVEDA Project Area within each Member Jurisdiction’s territory (such as the Apple Valley Subarea), 20% was previously required to be allocated to that jurisdiction’s housing fund. Under the Dissolution Act, deposits to the housing fund are no longer required or permitted. Of the balance, 50% was allocated to the Member Jurisdiction for use in the Member’s territory and 50% was allocated to the Southern California Logistics Airport Authority (“SCLAA”) for use on former Base parcels. Such percentages were different before the reimbursement of certain Member Jurisdiction start-up funds, which are now fully repaid. The 2005 VVEDA Project Area Bonds and 2007 VVEDA Project Area Bonds, and following the refunding of such VVEDA Project Area Bonds the Apple Valley-VVEDA Loan, are payable from the Town’s 50% share of such tax increment revenues, which now consist of amounts deposited into the VVEDA RPTTF which are derived from the Apple Valley Subarea of the VVEDA Project Area, after payment of County administrative costs and Pass-Through Payments, but including the amounts previously required to be deposited into the low and moderate income housing fund under the Redevelopment Law. The County does not separately calculate property tax increment revenues based on actual collections in the Apple Valley Subarea. Instead, VVEDA hires a consultant to calculate the Apple Valley Share of property tax increment revenues generated in the Original Area of the VVEDA Project Area by allocating a pro-rata portion of such revenues to the Successor Agency based on the incremental assessed value in the Apple Valley Subarea as compared to the remainder of the VVEDA Project Area. The historic Tax Revenues reflected in Table 2 are also calculated by the Fiscal Consultant using this methodology. See Table 8 for the property tax collection rates in the Original Area of the VVEDA Project Area. See the Fiscal Consultant’s report included in Appendix A-2 for a further discussion of the flow of funds following the dissolution of redevelopment agencies in 2012.

In addition to the VVEDA JPA, the Member Jurisdictions are subject to the VVEDA Project Area Redevelopment Plan, which is described further under the caption “THE PROJECT AREAS—The Redevelopment Plans—VVEDA Project Area.”

**VVEDA Successor Agency.** On January 12, 2012, the VVEDA Commission adopted Resolution No. 12-002 electing to serve as the successor agency to the redevelopment functions of VVEDA. Therefore, following the dissolution of redevelopment agencies in the State as described herein, VVEDA’s Redevelopment Plan obligations continue to be administrated by VVEDA, acting as the successor agency to the redevelopment functions of VVEDA (sometimes referred to herein as the “VVEDA Successor Agency” and sometimes as “VVEDA”). With respect to former redevelopment agencies formed as joint exercise of powers authorities, as was the case with VVEDA prior to the enactment of the Dissolution Act, the Dissolution Act provides that “if the joint powers agreement governing the formation of the joint powers authority does not address

the allocation of assets and liabilities upon dissolution of the joint powers authority, then each of the entities that created the former redevelopment agency may be a successor agency within the meaning of this part, a proportionate share of the assets and liabilities shall be based on the assessed value in the project areas within each entity's jurisdiction, as determined by the county assessor, in its jurisdiction as compared to the assessed value of land within the boundaries of the project areas of the former redevelopment agency." In practice, the VVEDA Successor Agency is governed by the VVEDA Commission pursuant to the VVEDA JPA. Day-to-day administration of VVEDA is handled by the staff members of the City of Victorville and the Town of Apply Valley. Staff members of the City of Victorville prepare and administer the submission of each annual VVEDA Recognized Obligation Payment Schedule. The Town serves as the Treasurer of VVEDA and manages the moneys received by VVEDA from the VVEDA RPTTF, including transfers to the Successor Agency of amounts to pay the Apple Valley-VVEDA Loan Payments. Under the VVEDA JPA, the VVEDA Commission has the authority to select a different Member Jurisdiction to serve as Treasurer from time to time by resolution.

*VVEDA RPTTF.* The County Auditor-Controller established and maintains a separate Redevelopment Property Tax Trust Fund for VVEDA, into which it deposits the property tax increment revenues generated within the entire VVEDA Project Area. The County Auditor-Controller does not separately account for tax increment generated in separate Member Jurisdiction territories within the VVEDA Project Area; VVEDA hires a consultant to calculate the Apple Valley Share of property tax increment revenues generated in the VVEDA Project Area by allocating a pro-rata portion of such revenues to the Successor Agency based on the incremental assessed value in the Apple Valley Subarea as compared to the remainder of the Original Area of the VVEDA Project Area. The historic Tax Revenues reflected in Table 2 are also calculated by the Fiscal Consultant using this methodology. See Table 8 for the property tax collection rates in the Original Area of the VVEDA Project Area. For more information regarding the administration of VVEDA's Recognized Obligation Retirement Fund, including transfers to the Successor Agency for Apple Valley-VVEDA Loan Payments, see the subcaption "*—VVEDA Technical Advisory Committee Review of RPTTF Distributions Prior to Allocation to the Successor Agency and SCLAA.*"

*VVEDA Recognized Obligation Payment Schedules.* City of Victorville staff annually prepares and submits to the San Bernardino Countywide Oversight Board and DOF a Recognized Obligation Payment Schedule on which it lists the debt service obligations of Apple Valley and SCLAA that are secured by pledges of tax increment revenues generated within the VVEDA Project Area. The Oversight Board and DOF have approved, and the County Auditor-Controller has distributed money from the VVEDA RPTTF to VVEDA for payment of, all prior debt service payments on the VVEDA Project Area Bonds included on Recognized Obligation Payment Schedules submitted by VVEDA.

*VVEDA Technical Advisory Committee Review of RPTTF Distributions Prior to Allocation to the Successor Agency and SCLAA.* Following VVEDA's receipt of distributions from the VVEDA RPTTF on or about each January 2 and June 1, a Technical

Advisory Committee (“TAC”) appointed by the VVEDA Commission receives a report and presentation from a consultant hired by VVEDA which describes the allocation of tax increment revenues to VVEDA from the VVEDA RPTTF which are payable to the Successor Agency for the VVEDA Project Area Bonds (and following the refunding of the VVEDA Project Area Bonds, the Apple Valley-VVEDA Loan) and related administrative costs and to SCLAA for payment of SCLAA’s outstanding bonds and related administrative costs. The report allocates tax increment revenues generated in the VVEDA Project Area among the Member Jurisdictions and SCLAA based on the relative incremental assessed value of properties within the boundaries of each Member Jurisdiction. The historic Tax Revenues reflected in Table 2 are also calculated by the Fiscal Consultant using this methodology. The County does not provide data regarding the actual collection of property tax revenues by Member Jurisdiction subareas within the VVEDA Project Area and therefore the Fiscal Consultant is unable to calculate the actual tax increment revenues generated by such subareas, including the Apple Valley Subarea. The TAC also evaluates the appropriate allocation of residual revenues in the VVEDA RPTTF (i.e. tax increment revenue remaining after all distributions for County administrative charges, pass-through payments, VVEDA enforceable obligations (including Successor Agency and SCLAA debt) and VVEDA administrative costs) among the various taxing entities and VVEDA Member Jurisdictions. The TAC meets on or about the third Wednesday in January, March, and September to receive the report and presentation described above.

If debt service payments on SCLAA debt obligations exceed SCLAA’s share of tax increment generated within the VVEDA Project Area it is unclear whether VVEDA and the Member Jurisdictions would permit SCLAA to use other amounts distributed into the VVEDA RPTTF, including the Tax Revenues generated in the Apple Valley Subarea, to pay SCLAA debt; however, the Tax Revenues are not pledged to payment of SCLAA’s bonds and would therefore be paid to SCLAA only after payments to the Successor Agency for the Apple Valley-VVEDA Loan Payments.

## **(zz) THE PROJECT AREAS**

### **(aaa) General**

As discussed under the caption “SECURITY FOR THE BONDS—Tax Increment Financing,” the Bonds are secured by Revenues, which primarily consist of the Loan Payments due from the Successor Agency under the Loan Agreements, which are in turn secured by Tax Revenues derived from Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area. Project Area 2 and the VVEDA Project Area are described in the following sections of this Official Statement.

### **(bbb) The Redevelopment Plans**

**General.** The Project Areas include Project Area 2 and the VVEDA Project Area. Under the Redevelopment Law, a city or county that activated a redevelopment agency was required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency could

only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a “plan” in the customary sense of the word. Except as provided by SB 107, the separate time and financial limitations set forth in the redevelopment plan for each Project Area remain in effect with respect to each such Project Area (see Appendices A-1 and A-2). A description of each of the amendments to the Redevelopment Plans for the Project Areas is set forth below. For more information on the financial and time limitations set forth in such redevelopment plans, see the Fiscal Consultant’s Reports attached to this Official Statement as Appendices A-1 and A-2.

**Project Area 2.** The Town Council of the Town established Project Area 2 by adopting Ordinance No. 174 on December 23, 1996. Project Area 2 encompasses approximately 7,950 acres and 16% of the Town’s total area, the Project Area lies in the southeastern portion of the Town, as more fully described under the caption “THE PROJECT AREAS.”

**VVEDA Project Area.** VVEDA adopted the initial Redevelopment Plan for the 1993 Victor Valley Redevelopment Project (“Original VVEDA Project Area”) on December 28, 1993 by Ordinance No. 2. The VVEDA Project Area Redevelopment Plan was subsequently amended eight times, including an amendment in 2000 to add approximately 15,705 acres in the cities of Adelanto and Victorville and the County (the “Amendment IV Added Area”) amendments to add territory and an amendment in 2006 to add approximately 30,166 acres in the cities of Adelanto and Victorville, the Town, and the County (the “Amendment VIII Added Area”). No portion of the Amendment IV Added Area is located in the Town. A small portion of the Apple Valley Subarea is within the Amendment VIII Added Area; however, assessed values in the portion of the Amendment VIII Added Area located within the Town have been below the base year value of that portion of that area and has therefore not produced tax increment revenues since the addition of the Amendment VIII Added Area. The Fiscal Consultant does not include tax increment from the Amendment VIII Added Area in the projections of Tax Revenues set forth in Table 13 below or the Fiscal Consultant’s Report relating to the VVEDA Project Area attached hereto as Appendix A-2. The majority of the Apple Valley Subarea, and the only portion of the Apple Valley Subarea projected to produce Tax Revenues available to pay Loan Payments, is within the Original Area. The portion of the Apple Valley Subarea in the Original Area constitutes 21% of the Town.

As discussed under the caption “SECURITY FOR THE BONDS—Tax Increment Financing,” the Bonds are secured by Revenues, which primarily consist of the Loan Payments due from the Successor Agency under the Loan Agreements, which are in turn secured by Tax Revenues derived from Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area. Detailed information regarding the characteristics of each Project Area is set forth in the following sections of this Official Statement and the Fiscal Consultant Reports attached to this Official Statement as Appendices A-1 and A-2.



**(ccc) Project Area Characteristics**

The following table shows the historical assessed value of properties in Project Area 2 and historical deposits into the Apple Valley RPTTF. Additional information is set forth in Appendix A-1.

**Table 1  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY  
PROJECT AREA 2  
Historic Assessed Value and Tax Revenues**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Secured Assessed Value <sup>(1)</sup>	\$ 823,807,055	\$ 862,179,754	\$ 910,787,026	\$ 969,764,437	\$ 1,031,353,328
Unsecured Assessed Value <sup>(1)</sup>	<u>19,738,535</u>	<u>16,350,364</u>	<u>16,564,360</u>	<u>17,238,531</u>	<u>18,098,338</u>
Total Assessed Value	\$ 843,545,590	\$ 878,530,118	\$ 927,351,386	\$ 987,002,968	\$ 1,049,451,666
Percent Change from Prior Fiscal Year	7.4%	4.1%	5.6%	6.4%	6.3%
Base Year Value	\$ 418,611,676	\$ 418,611,676	\$ 418,611,676	\$ 418,611,676	\$ 418,611,676
Incremental Value <sup>(2)</sup>	<u>424,933,914</u>	<u>459,918,442</u>	<u>508,739,710</u>	<u>68,224,154</u>	<u>630,839,990</u>
Estimated Tax Increment <sup>(3)</sup>	\$4,249,339	\$4,599,184	\$5,087,397	\$5,682,242	\$6,308,400
Actual Tax Increment	\$4,549,968	\$4,876,441	\$5,404,214	\$6,086,695	\$6,736,768
Percentage Change From Prior Fiscal Year	18.0%	7.2%	10.8%	12.6%	10.7%

(1) Includes home owner exemptions but is net of all other exemptions.

(2) Total assessed value less base year value.

(3) The incremental value multiplied by the general levy rate of 1%.

Source: RSG, Inc.; San Bernardino County Auditor-Controller.

The following table shows the historical assessed value of properties within the Original Area of the VVEDA Project Area and the assessed value of properties in the Apple Valley Subarea, as well as the historical calculation of Tax Revenues allocated to the Apple Valley Subarea. Additional information is set forth in Appendix A-2.

**Table 2**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Historic Assessed Value and Tax Revenues**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
<b>VVEDA Original Area (including Apple Valley Subarea)</b>					
Secured Assessed Value <sup>(1)</sup>	\$ 4,807,895,16	\$ 5,254,929,20	\$ 5,390,003,62	\$ 5,655,367,17	\$ 6,014,887,33
	5	5	2	5	8
Unsecured Assessed Value <sup>(1)</sup>	<u>337,661,198</u>	<u>320,814,389</u>	<u>298,061,332</u>	<u>338,345,717</u>	<u>370,264,816</u>
Total Assessed Value	\$ 5,145,556,36	\$ 5,575,743,59	\$ 5,688,064,95	\$ 5,993,712,89	\$ 6,385,152,15
	3	4	4	2	4
Percent Change from Prior Fiscal Year	5.9%	8.4%	2.0%	5.4%	6.5%
Base Year Value	\$ (1,783,833,9 21)	\$ (1,783,833,9 21)	\$ (1,783,833,9 21)	\$ (1,783,833,9 21)	\$ (1,783,833,9 21)
Incremental Value <sup>(2)</sup>	<u>3,361,722,44</u>	<u>3,791,909,67</u>	<u>3,904,231,03</u>	<u>4,209,878,97</u>	<u>4,601,318,23</u>
	<u>2</u>	<u>3</u>	<u>3</u>	<u>1</u>	<u>3</u>
Estimated Tax Increment <sup>(3)</sup>	\$33,617,224	\$37,919,097	\$39,042,310	\$42,098,790	\$46,013,182
Actual Tax Increment <sup>(4)</sup>	\$35,613,536	\$39,976,292	\$42,801,814	\$44,395,981	\$48,353,103
% Actual / Estimated	105.9%	105.4%	109.6%	105.5%	105.1%
<b>Apple Valley Subarea - Original Area</b>					
Secured Assessed Value <sup>(1)</sup>	\$974,371,275	\$ 1,019,140,31	\$ 1,075,883,92	\$ 1,132,804,99	\$ 1,175,671,88
		1	4	6	6
Unsecured Assessed Value <sup>(1)</sup>	<u>31,384,128</u>	<u>28,705,853</u>	<u>25,165,668</u>	<u>25,521,520</u>	<u>30,657,499</u>
Total Assessed Value	\$ 1,005,755,40	\$ 1,047,846,16	\$ 1,101,049,59	\$ 1,158,326,51	\$ 1,206,329,38
	3	4	2	6	5

Percent Change from Prior Fiscal Year	3.8%	4.2%	5.1%	5.2%	4.1%
Base Year Value	\$436,031,342	\$436,031,342	\$436,031,342	\$436,031,342	\$436,031,342
Apple Valley Subarea Incremental Value	\$569,724,061	\$611,814,822	\$665,018,250	\$722,295,174	\$770,298,043
Estimated Tax Increment (Apple Valley Subarea)	\$5,697,241	\$6,118,148	\$6,650,183	\$7,222,952	\$7,702,980
Actual Tax Increment (Apple Valley Subarea) <sup>(5)</sup>	\$5,993,514	\$5,819,452	\$7,678,908	\$7,599,255	
% Actual / Estimated	105.2%	95.1%	115.5%	105.2%	
County Admin Fee (Apple Valley Subarea) <sup>(6)</sup>	(7,491)	(7,817)	(8,715)	(11,434)	
Negotiated Pass Through Amounts (Apple Valley Subarea) <sup>(6)</sup>	<u>(1,650,012)</u>	<u>(1,679,517)</u>	<u>(2,101,002)</u>	<u>(2,078,512)</u>	Not Available
Net Tax Increment Available (Apple Valley Subarea)	\$4,336,010	\$4,132,118	\$5,569,190	\$5,509,309	
20% Housing Set-Aside	\$(1,198,703)	\$(1,163,890)	\$(1,535,782)	\$(1,519,851)	
Non-Housing Revenues Available	\$3,137,308	\$2,968,228	\$4,033,409	\$3,989,458	
SCLAA Share (Pledged to SCLAA Bonds) <sup>(7)</sup>	\$(1,568,654)	\$(1,484,114)	\$(2,016,704)	\$(1,994,729)	
Apple Valley Share (Tax Revenues) <sup>(8)</sup>	\$2,767,357	\$2,648,004	\$3,552,486	\$3,514,580	

(1) Includes home owner exemptions but is net of all other exemptions.

(2) Total assessed value for the entire Original Area (including the Apple Valley Subarea) less base year value.

(3) The incremental value multiplied by the general levy rate of 1%.

[Footnotes continue on following page]

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- (4) Actual Tax Increment Received is based on the County Auditor-Controller “RPTTF RDA Collections Report”, which reports tax collections received through June 30 of each fiscal year.
- (5) The Apple Valley Subarea share of Actual Tax Increment is based on its pro rata share of Incremental Value in the VVEDA Original Area. These figures are sourced from Property Tax Distribution Reports reviewed by the VVEDA Technical Advisory Committee. See the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority—VVEDA Successor Agency.” The actual amount received in FY 2016-17 was less due to revenues collected from May to June of a given year being distributed in the following fiscal year. Distribution Report figures are based on actual RPTTF distributions and apportionments data for collections through April of a given year. These figures may differ from Apple Valley Subarea Actual Tax Increment reflected in prior year continuing disclosure reports, which are based on data reflecting year-end collections through June 30 that is unavailable at the time the TAC considers the Distribution Reports.
- (6) The Apple Valley Subarea share of County Administrative Fee and Pass Through Payments are based on a pro rata share of the amounts Apple Valley’s Incremental Value in the VVEDA Original Area.
- (7) Equals 50% of Net Tax Increment Available after deduction of 20% Housing Set-Aside pursuant to the VVEDA JPA.
- (8) The Successor Agency’s 50% of net non-housing tax increment revenue plus the Housing Set-Aside attributable to the Apple Valley Subarea is allocated to the Town under the VVEDA JPA, and constitutes the Tax Revenues pledged to the Apple Valley-VVEDA Loan.

Source: RSG, Inc.; San Bernardino County Auditor-Controller and VVEDA Successor Agency.

The top ten taxpayers in Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area in the current fiscal year are set forth in the below tables. For more information on the top taxpayers in each of the Project Areas, see Appendices A-1 and A-2.

**Table 3**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**PROJECT AREA 2**  
**Top Ten Taxpayers**

<b>Taxpayer</b>	<b>No. of Parcels</b>	<b>Land Use(s)</b>	<b>Assessed Value<sup>(4)</sup></b>	<b>% of Total Assessed Value</b>	<b>% of Total Incremental Value</b>
1 Apple Valley Square Center LLC <sup>(1)</sup>	10	Commercial Shopping Center	\$16,061,917	1.53%	2.55%
2 NSA Property Holdings LLC <sup>(2)</sup>	2	Commercial Storage Facility	9,831,902	0.94	1.56
3 11959 Apple Valley Road LLC	1	Skilled Nursing Facility	9,750,393	0.93	1.55
4 Aberdeen Real Estate Investments #2	3	Mobilehome Park	9,096,625	0.87	1.44
5 AREC 34 LLC	2	Commercial Shopping Center	8,613,810	0.82	1.37
6 MGP XIX LLX	1	Senior Living Community	8,103,518	0.77	1.28
7 Trails End Trailer Park LLC <sup>(3)</sup>	1	Mobilehome Park	7,487,995	0.71	1.19
8 Olga LLC	1	Commercial Retail	6,512,467	0.62	1.03
9 Crazy Horse Holding LLC	1	Commercial Shopping Center and Offices	5,543,985	0.53	0.88
10 Ralphs Grocery Company	<u>4</u>	Commercial Grocery	<u>5,498,814</u>	<u>0.52</u>	<u>0.87</u>
Total	26		\$86,501,426	8.24%	13.71%
Project Area 2 Assessed Value			\$ 1,049,451,666		
Project Area 2 Incremental Assessed Value			\$630,839,990		

(1) Apple Valley Square Center LLC is the only top ten taxpayer with a pending assessment appeal, as discussed under the caption “—Assessment Appeals.”

(2) Includes unsecured value of \$57,344.

(3) Includes unsecured value of \$167,995.

(4) The total assessed value obtained from the secured and unsecured rolls differs from the County Auditor-Controller total assessed value due to the data coming from two separate sources. The difference is 0.01%.



Source: RSG, Inc.; San Bernardino County Assessor Secured Roll.

**Table 4  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY  
APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA  
Top Ten Taxpayers**

<i><b>Taxpayer</b></i>	<i><b>No. of Parcels</b></i>	<i><b>Land Use(s)</b></i>	<i><b>Assessed Value<sup>(7)</sup></b></i>	<i><b>% of Total Assessed Value</b></i>	<i><b>% of Incremental Value</b></i>
1 Apple Valley Ranchos Water Co.	7	Public Facilities and Vacant Land	\$64,249,007	5.26%	8.34%
2 Apple Valley Commons I & II, LLC <sup>(1)(2)</sup>	29	Commercial, Vacant	27,179,894	2.21	3.53
3 Target Corp. <sup>(1)(3)</sup>	1	Commercial	23,029,018	1.76	2.99
4 Wal-Mart Stores, Inc. <sup>(4)</sup>	2	Commercial	15,453,149	1.16	2.01
5 MHC Los Ranchos Limited Partnership <sup>(5)</sup>	5	Mobilehome Parks	13,365,688	1.09	1.74
6 Albertsons Stores, LLC <sup>(1)(6)</sup>	1	Commercial	8,916,871	0.66	1.16
7 Lakritz Family Partnership	5	Commercial	7,594,417	0.62	0.99
8 FGFW IV, LLC	1	Vacant Commercial Land	6,638,931	0.54	0.86
9 Bearwear Partners <sup>(1)</sup>	1	Commercial	5,789,801	0.47	0.75
10 Carl E. Ross Living Trust	<u>22</u>	Vacant Commercial and Residential Land	<u>5,553,017</u>	<u>0.45</u>	<u>0.72</u>
Total	74		\$177,769,793	14.55%	23.08%
Apple Valley Subarea Assessed Value <sup>(7)</sup>			\$ 1,221,421,98		
Apple Valley Subarea Incremental Assessed Value			1 \$770,298,043		

<sup>(1)</sup> Top ten taxpayer Nos. 2, 3, 6, and 9 have pending assessment appeals discussed under the caption “—Assessment Appeals.”

- (2) Includes unsecured value of \$242,636.
- (3) Includes unsecured value of \$1,581,070.
- (4) Includes unsecured value of \$1,251,670.
- (5) Includes unsecured value of \$53,875.
- (6) Includes unsecured value of \$858,871.
- (7) The total assessed value obtained from the secured and unsecured rolls differs from the Auditor-Controller total assessed value due to the data coming from two separate sources. The difference is 0.07%

Source: RSG, Inc.; San Bernardino County Assessor Secured and Unsecured Rolls.

The assessed valuation in Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area for the current fiscal year by land use category is set forth in the below tables.

**Table 5**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**PROJECT AREA 2**  
**Secured Value by Land Use**

<i>Land Use Category</i>	<i>Secured Value</i>	<i>% of Total</i>	<i># of Parcels</i>	<i>%</i>
Industrial	\$ 8,806,618	0.85%	32	0.48%
Commercial	202,546,171	19.64	485	7.31
Residential				
Single-Family Residential	676,587,989	65.60	5,415	81.58
Multi Family Residential	129,059,929	12.51	646	9.73
Miscellaneous	<u>14,452,256</u>	<u>1.40</u>	<u>60</u>	<u>0.90</u>
Total Project Area Secured Value <sup>(1)</sup>	\$ 1,031,452,963	100%	6,638	100.00%

<sup>(1)</sup> The total assessed value obtained from the secured roll differs from the Auditor-Controller assessed value due to the data coming from two separate sources. The difference is 0.01%.

Source: RSG, Inc.; San Bernardino County Assessor Secured Roll.

**Table 6**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Secured Value by Land Use**

<i>Land Use Category</i>	<i>Secured Value</i>	<i>% of Total</i>	<i># of Parcels</i>	<i>%</i>
Commercial	\$281,383,150	23.63%	400	8.22%
Industrial	65,407,131	5.49	8	0.16
Residential				
Multiple Family Residential	189,054,561	15.87	905	18.59
Single Family Residential	633,596,192	53.20	3,466	71.20
Miscellaneous	<u>21,458,204</u>	<u>1.80</u>	<u>89</u>	<u>1.83</u>
Total Secured Value	\$ 1,190,899,238	100%	4,868	100.00%

(1) The total assessed value obtained from the secured roll differs from the Auditor-Controller total assessed value due to the data coming from two separate sources. The difference is 0.09%.

Source: RSG, Inc.; San Bernardino County Assessor Secured Roll.

**(ddd) Levy and Collection**

Table 7 below sets forth the historical assessed valuation and tax increment collection rates for Project Area 2.

**Table 7  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY  
PROJECT AREA 2  
Historical Assessed Valuation and Tax Increment Collection Rates**

<i>Year</i>	<i>Total Assessed Value</i>	<i>Percentage Change From Prior Year</i>	<i>Estimated Tax Increment</i>	<i>Actual Tax Increment Received</i>	<i>Percentage Collected of Estimated Tax Increment</i>
2007-08	\$1,019,413,129	N/A	\$6,008,015	\$6,708,730	111.7%
2008-09	1,050,839,275	3.1	6,322,276	6,649,028	105.2
2009-10	890,585,999	(15.3)	4,719,743	4,224,813	89.5
2010-11	760,181,489	(14.6)	3,415,698	3,299,848	96.6
2011-12	749,312,075	(1.4)	3,307,004	3,315,484	100.3
2012-13	751,105,011	0.2	3,324,933	3,423,394	103.0
2013-14	761,657,731	1.4	3,430,461	3,556,591	103.7
2014-15	785,648,586	3.1	3,670,369	3,856,509	105.1
2015-16	843,545,590	7.4	4,249,339	4,549,968	107.1
2016-17	878,530,118	4.1	4,599,184	4,876,441	106.0
2017-18	927,351,386	5.6	5,087,397	5,404,214	106.2
2018-19	987,002,968	6.4	5,682,242	6,086,695	107.1
2019-20	1,049,451,666	6.3	6,308,400	6,736,768	106.8

Source: RSG, Inc.; San Bernardino County Auditor-Controller.

Table 8 below lists the historical percentage of tax increment revenues collected by the County and deposited into the VVEDA RPTTF for the Original Area of the VVEDA Project Area, compared to the total property tax levy for the applicable fiscal year. Collections data is not available separately for the Apple Valley Subarea of the VVEDA Project Area. Additional information, including the historic assessed value and incremental value of properties in the Original Area and Apple Valley Subarea of the

VVEDA Project Area and historic Tax Revenues allocations to the Successor Agency are shown in Table 2 and Appendix A-2.

**Table 8**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**VVEDA PROJECT AREA – ORIGINAL AREA**  
**Historical Assessed Valuation and Tax Increment Collection Rates**

<b>Year</b>	<b>Total Assessed Value<sup>(1)</sup></b>	<b>Percentage Change From Prior Year</b>	<b>Estimated Tax Increment<sup>(2)</sup></b>	<b>Actual Tax Increment Received<sup>(3)</sup></b>	<b>Percentage Collected of Estimated Tax Increment<sup>(4)</sup></b>
2007-08	\$6,161,061,694	N/A	\$43,787,883	\$44,347,502	101.3%
2008-09	6,397,909,195	3.8%	46,156,358	47,590,902	103.1
2009-10	5,379,508,715	-15.9	35,972,353	35,526,519	98.8
2010-11	4,839,690,919	-10.0	30,574,175	30,453,768	99.6
2011-12	4,694,137,831	-3.0	29,103,039	29,236,044	100.5
2012-13	4,631,656,384	-1.3	28,478,225	29,901,323	105.0
2013-14	4,716,085,927	1.8	29,322,520	30,643,888	104.5
2014-15	4,859,140,895	3.0	30,753,070	32,155,428	104.6
2015-16	5,145,556,363	5.9	33,617,224	35,613,536	105.9
2016-17	5,575,743,594	8.4	37,919,097	39,976,292	105.4
2017-18	5,688,064,954	2.0	39,042,310	42,801,814	109.6
2018-19	5,993,712,892	5.4	42,098,790	44,395,981	105.5
2019-20 <sup>(1)</sup>	6,385,152,154	6.5	46,013,182	48,353,103	105.1

(1) Total assessed value of properties within the Original Area of the VVEDA Project Area.

(2) Based on the 100% general property tax levy applied to incremental assessed value over the VVEDA Project Area Original Area base year assessed value of \$1,783,833,921.

(3) The Actual Tax Increment Received is based on the County Auditor-Controller's "RPTTF RDA Collections Report," which reports tax collections received through June 30 of each fiscal year.

(4) Reflects collections rates for the Original Area of the VVEDA Project Area. Collections information specific to the Apple Valley Subarea is unavailable; however, as described under the caption "SECURITY FOR THE BONDS," the Tax Revenues from the VVEDA Project Area consist only of the Apple Valley Share of net tax increment revenues derived from the Apple Valley Subarea of the VVEDA Project Area.

Source: RSG, Inc.; San Bernardino County Auditor-Controller.

Table 9 below sets forth the historical assessed and incremental valuations for the Apple Valley Subarea of the Original VVEDA Project Area. Because the Amendment VIII

Added Area’s assessed value has been lower than the base year value since its adoption, has not historically generated tax increment revenues, and is not projected by the Fiscal Consultant to generate tax increment revenues, values from the Amendment VIII Area are excluded.

**Table 9**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Historic Assessed and Incremental Valuations**

<i>Apple Valley Subarea of the Original VVEDA Project Area<sup>(1)</sup></i>				
<b>Year</b>	<b>Total Assessed Value</b>	<b>Percentage Change from Prior Year</b>	<b>Total Incremental Value</b>	<b>Percentage Change from Prior Year</b>
2007-08	\$1,039,158,017		\$603,126,675	
2008-09	1,122,006,700	8.0%	685,975,358	13.7%
2009-10	1,032,256,242	(8.0)	596,224,900	(13.1)
2010-11	946,533,300	(8.3)	510,501,958	(14.4)
2011-12	938,876,025	(0.8)	502,844,683	(1.5)
2012-13	939,525,287	0.1	503,493,945	0.1
2013-14	944,703,332	0.6	508,671,990	1.0
2014-15	968,872,289	2.6	532,840,947	4.8
2015-16	1,005,755,403	3.8	569,724,061	6.9
2016-17	1,047,846,164	4.2	611,814,822	7.4
2017-18	1,101,049,592	5.1	665,018,250	8.7
2018-19	1,158,326,516	5.2	722,295,174	8.6
2019-20	1,206,329,385	4.1	770,298,043	6.6

<sup>(1)</sup> Historical values are only shown for the Original VVEDA Project Area because the Amendment VIII Added Area’s assessed value has been lower than the base year value since its adoption, and has not generated tax revenues.

Source: RSG, Inc.; San Bernardino County Auditor-Controller.

**(eee) Assessment Appeals**

Property taxable values determined by the County Assessor may be subject to an appeal by the property owner. There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the Assessor immediately subsequent to a change in ownership or completion of new construction. If the base year value assigned by the Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur



causing a decline in the market value of the property to a level below the property's then current taxable value.

Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. A property owner can file for a regular assessment appeal with the County between July 2 and November 30. Revenue and Taxation Code Section 1604 allows up to two years for an assessment appeal to be decided. One of the top ten taxpayers within Project Area 2 and four of the top ten taxpayers within the Apple Valley Subarea of the VVEDA Project Area have filed assessments appeals that are currently pending. See Tables 6 and 10 and the Fiscal Consultant's Reports attached as Appendices A-1 and A-2 for more information regarding these property taxpayers. Additional appeals to assessed values in the Project Areas may be filed from time to time in the future. The Successor Agency cannot predict the extent of these appeals or their likelihood of success.

The following tables present information regarding the assessment appeal history within the Project Areas as of April 21, 2020.

**Table 10**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**PROJECT AREA 2**  
**Assessment Appeal History**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5-Year Total (1)</b>
Project Area Total Assessed Value	\$ 843,545,590	\$ 878,530,118	\$ 927,351,386	\$ 987,002,968	\$ 1,049,451,666	\$ 4,685,881,728
<b>All Appeals</b>						
Total Number of Appeals (2)	16	48	13	11	10	98
Total Requested Reduction of All Appeals	\$9,199,903	\$ 17,475,312	\$ 13,702,762	\$ 10,947,367	\$6,629,612	\$57,954,956
Number of Withdrawn / Denied Appeals	14	27	10	2	4	57
Number of Stipulated (Successful) Appeals	2	21	2	3	0	28
Total Number of Finalized Appeals	16	48	12	5	4	85
Rate of Successful Appeals (3)	12.5%	43.8%	16.7%	60.0%	0.0%	
Number of Appeals Pending Decisions	0	0	1	6	6	13
<b>Stipulated (Successful) Appeals</b>						
Requested Reduction Amount	\$ 46,000	\$1,155,861	\$ 787,790	\$3,502,175	\$ 0	\$5,491,826
Granted Reduction Amount	\$ 36,000	\$ 407,470	\$ 238,461	\$ 741,160	\$ 0	\$1,423,091
Total Granted Reduction Amount versus Requested Reduction Amount(4)	78.3%	35.3%	30.3%	21.2%	N/A	25.9%
Granted Reduction As % of Total Assessed Value (5)	0.0%	0.0%	0.0%	0.1%	0.0%	N/A
<b>Appeals Pending Decision</b>						

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5-Year Total (1)</b>
Total Assessed Value of Pending Appeals	\$ 0	\$ 0	\$3,982,080	\$ 11,583,122	\$6,664,866	\$22,230,068
Requested Reduction Amount	\$ 0	\$ 0	\$1,991,040	\$5,658,092	\$3,061,866	\$10,710,998
Requested Reduction As % of Project Area Assessed Value (6)	0.0%	0.0%	0.2%	0.6%	0.3%	N/A

(1) The five-year total represents the most recently complete years, Fiscal Years 2015-16 to 2019-20.

(2) Appeals where the applicant requested a higher value than the current assessed value were excluded because of potential flaws in the data.

(3) The number of stipulated appeals versus the total number of finalized appeals.

(4) The total value of all granted reductions versus the total value of all requested reductions.

(5) The granted reduction amount versus the total project area assessed value.

(6) The pending requested reduction amount versus the total project area assessed value.

Sources: RSG, Inc.; San Bernardino County Clerk of the Board, San Bernardino County Assessor's Office, and San Bernardino County Auditor-Controller.

**Table 11**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Assessment Appeal History**

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5-Year Total (1)</b>
Project Area Total Assessed Value <sup>(2)</sup>	\$ 1,017,232,664	\$ 1,060,347,237	\$ 1,113,741,690	\$ 1,171,535,967	\$ 1,221,421,981	\$ 5,584,279,539
<b>All Appeals</b>						
Total Number of Appeals <sup>(3)</sup>	25	19	17	26	20	107
Total Requested Reduction of All Appeals	\$15,681,365	\$12,704,210	\$11,483,327	\$15,624,508	\$12,079,954	\$67,573,364
Number of Withdrawn / Denied Appeals	21	16	14	18	9	78
Number of Stipulated (Successful) Appeals	4	3	3	5	0	15
Total Number of Finalized Appeals	25	19	17	23	9	93
Rate of Successful Appeals <sup>(4)</sup>	16.0%	15.8%	17.6%	21.7%	0.0%	
Number of Appeals Pending Decisions	0	0	0	3	11	14
<b>Stipulated (Successful) Appeals</b>						
Requested Reduction Amount	\$2,486,194	\$1,138,072	\$1,996,007	\$2,662,216	\$ 0	\$8,282,489
Granted Reduction Amount	\$ 929,364	\$ 569,413	\$ 904,805	\$2,032,216	\$ 0	\$4,435,798

	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>5-Year Total (1)</b>
Total Granted Reduction Amount versus Requested Reduction Amount <sup>(5)</sup>	37.4%	50.0%	45.3%	76.3%	N/A	53.6%
Granted Reduction As % of Total Assessed Value <sup>(6)</sup>	0.1%	0.1%	0.1%	0.2%	0.0%	N/A
<b>Appeals Pending Decision</b>						
Total Assessed Value of Pending Appeals	\$ 0	\$ 0	\$ 0	\$3,426,603	\$20,304,050	\$23,730,653
Requested Reduction Amount	\$ 0	\$ 0	\$ 0	\$1,712,156	\$9,303,752	\$11,015,908
Requested Reduction As % of Project Area Assessed Value <sup>(7)</sup>	0.0%	0.0%	0.0%	0.1%	0.8%	N/A

(1) The five-year total represents the most recently complete years, Fiscal Years 2015-16 to 2019-20.

(2) The total assessed value obtained from the secured and unsecured rolls differs from the County Auditor-Controller total assessed value due to the data coming from two separate sources. The difference is immaterial with the minimum difference at 0.07% and maximum of 1.25%.

(3) Appeals where the applicant requested a higher value than the current assessed value were excluded because of potential flaws in the data.

(4) The number of stipulated appeals versus the total number of finalized appeals.

(5) The total value of all granted reductions versus the total value of all requested reductions.

(6) The granted reduction amount versus the total Apple Valley Subarea assessed value.

(7) The pending requested reduction amount versus the total Apple Valley Subarea assessed value.

Sources: RSG, Inc.; San Bernardino County Clerk of the Board, San Bernardino County Assessor's Office, and San Bernardino County Auditor-Controller.



Tax refunds payable from resolved appeals (to the extent applicants are not delinquent in their property tax payments) are deducted by the County Auditor-Controller from current year gross property taxes before the County's allocation to the RPTTF.

The Fiscal Consultant's projections of Tax Revenues set forth in this Official Statement and the Fiscal Consultant's Reports attached as Appendices A-1 and A-2 do not incorporate potential decreases from assessment appeals, which are expected to decrease Fiscal Year 2019-20 values in each Project Area by less than 1%. Actual resolution of appeals are determined by a number of factors including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment. Therefore, actual reductions, if any, may be higher or lower than the Fiscal Consultant's projections. An appeal may be withdrawn by the applicant, the Appeals Board may deny or modify the appeal at hearing or by stipulation, or the final value may be adjusted to an amount other than the stated opinion of value. For more information about appeals and the Fiscal Consultant's assumptions, see the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2.

[For Fiscal Year 2019-20, \_\_\_% of all residential parcels in Project Area 2 and \_\_\_% residential parcels in the Apple Valley Subarea of the VVEDA Project Area remain reduced in value under Proposition 8. See "PROPERTY TAXATION IN CALIFORNIA— Proposition 8." See the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2 for additional information regarding Proposition 8 value reductions in the Project Areas.]

### **(fff) Transfers of Ownership**

Changes in assessed valuations due to transfers of ownership occurring after the lien date for Fiscal Year 2019-20 will affect taxable values for Fiscal Year 2020-21. The projections of Tax Revenues set forth in the Fiscal Consultant's Reports attached as Appendices A-1 and A-2 and Tables 12 and 13 herein do not reflect the projected growth in value from sales, which are expected to increase Fiscal Year 2019-20 values in Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area by 0.68% and 0.76%, respectively. See Table 8 in each of the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2 for more information regarding the projected changes in assessed valuation attributable to actual real property ownership changes occurring between January 2019 and March 2020 in each of the Project Areas.

### **(ggg) New Development**

According to the Successor Agency, several new developments are in progress, or are anticipated to begin in the near future, within the Project Areas. Such new developments are expected to increase assessed valuations within the Project Areas by less than 1% (0.09% in Project Area 2 and 0.15% in the Apple Valley Subarea of the VVEDA Project Area). However, the Successor Agency can provide no assurance regarding the completion of such new developments or the impact on assessed valuation within the Project Areas. Further, the projections of Tax Revenues in the Fiscal

Consultant Reports and this Official Statement do not reflect any increases in assessed valuations relating to development within the Project Areas that is in progress or anticipated to begin in the near future. For more information regarding building permit activity from January 2019 through April 2020 in each of the Project areas, see Table 9 in each of the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2.

### **(hhh) TAX REVENUES**

Tax Revenues are to be deposited in the Redevelopment Obligation Retirement Fund, and thereafter and after transfers have been made by the Successor Agency to the Trustee for deposit in the Revenue Fund administered by the Trustee and applied to the payment of the principal of and interest on the Bonds.

#### **(iii) Projected Tax Revenues**

The Successor Agency has retained RSG, Inc. to provide projections of taxable valuation and Tax Revenues from the Project Areas. The projections of Tax Revenues within Project Area 2 and the Apple Valley Subarea of the VVEDA Project Area set forth in Tables 12 and 13, respectively, assume no growth in assessed value from Fiscal Year 2019-20 actual values.

SB 107, which became effective September 22, 2015, amended the Dissolution Act to provide that the time limits for receiving property tax revenues and the limitation on the amount of property tax revenues that may be received by the Former Agency and the Successor Agency set forth in the Redevelopment Plans are not effective for purposes of paying the Successor Agency's enforceable obligations. Accordingly, the projections set forth below in this Official Statement and in the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2 do not take into account the time and financial limitations set forth in the Redevelopment Plans for the Project Areas. See the Fiscal Consultant's Reports attached included in this Official Statement as Appendices A-1 and A-2 for more information on such time and financial limitations. The Successor Agency believes that the assumptions (set forth in Appendices A-1 and A-2) upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur. See the caption "RISK FACTORS." Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material.

***Potential Impacts of COVID-19 (Coronavirus) Pandemic.*** In response to the COVID-19 outbreak described under the caption "RISK FACTORS—COVID-19 (Coronavirus) Pandemic," on March 24, 2020 the County Auditor Controller stated that it would waive penalties for late property tax payments for payments made between April 10, 2020 and June 30, 2020. Moreover, on May 6, 2020, Governor Newsom issued Executive Order N-61-20 (the "Executive Order"), waiving penalties and interest on taxes on property on the secured or unsecured roll through May 6, 2021 under certain conditions, including: (i) the property is a residential property occupied by the taxpayer or the property is used for a small business, (ii) the taxes owed were not delinquent as of

March 4, 2020, (iii) the taxpayer files for relief in a form prescribed by the tax collector, and (iv) the taxpayer demonstrates economic hardship to the satisfaction of the tax collector. The County does not include any former redevelopment agency revenues in its Teeter Plan, and therefore delinquent property taxes may impact the Tax Revenues. See the caption “THE PROJECT AREAS—Levy and Collection” for historical information regarding delinquencies with each of the Project Areas. Furthermore, the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Tax Revenues available to pay debt service on the Loans.

**Table 12**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**PROJECT AREA 2**  
**Tax Revenue Projection (Assumes 0% Growth)**

<i><b>Fiscal Years</b></i>	<i><b>Total Assessed Value</b></i>	<i><b>Incremental Assessed Value<sup>(1)</sup></b></i>	<i><b>Estimated Gross Tax Increment<sup>(2)</sup></b></i>	<i><b>County Admin Charge<sup>(3)</sup></b></i>	<i><b>Project Area 2 Tax Revenues</b></i>
2019-20	\$1,049,451,666	\$630,839,990	\$6,308,400	\$(86,575)	\$6,221,825
2020-21	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2021-22	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2022-23	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2023-24	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2024-25	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2025-26	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2026-27	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2027-28	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2028-29	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2029-30	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2030-31	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2031-32	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2032-33	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2033-34	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2034-35	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2035-36	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825
2036-37	1,049,451,666	630,839,990	6,308,400	(86,575)	6,221,825

(1) Value over the base year assessed value of \$418,611,676.

(2) 1.00% of Incremental Assessed Value.

(3) County administrative charges estimated at 1.37% of gross tax increment revenues based on actual charges for the January 2020 and June 2020 Apple Valley RPTTF distributions.

Source: RSG, Inc.

**Table 13**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Tax Revenue Projection (Assumes 0% Growth)**

**Net Tax Increment Revenues**

<i>Fiscal Year</i>	<i>Total Assessed Value</i>	<i>Incremental Assessed Value<sup>(1)</sup></i>	<i>Estimated Gross Tax Increment<sup>(2)</sup></i>	<i>County Admin Charge<sup>(3)</sup></i>	<i>Negotiated Pass Through Amounts<sup>(4)</sup></i>	<i>20% Housing Set-Aside Amount<sup>(5)</sup></i>	<i>Net Non-Housing Tax Increment<sup>(6)</sup></i>	<i>50% of Non-Housing Tax Increment<sup>(7)</sup></i>	<i>Apple Valley Share (Tax Revenues)<sup>(8)</sup></i>
2019-20	\$1,206,329,385	\$770,298,043	\$7,702,980	\$(86,092)	\$(3,204,032)	\$1,540,596	\$2,872,260	\$(1,436,130)	\$2,976,726
2020-21	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2021-22	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2022-23	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2023-24	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2024-25	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2025-26	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2026-27	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2027-28	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2028-29	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2029-30	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2030-31	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2031-32	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726

2032-33	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2033-34	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2034-35	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2035-36	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726
2036-37	1,206,329,385	770,298,043	7,702,980	(86,092)	(3,204,032)	1,540,596	2,872,260	(1,436,130)	2,976,726

(1) Value over the base year assessed value of \$436,031,342.

(2) 1.00% of Incremental Assessed Value.

(3) County administrative charges estimated at 1.12% of gross tax increment revenues based on actual charges for the January 2020 and June 2020 VVEDA RPTTF distributions.

(4) Reflects Negotiated Pass-Through Amounts. See the caption “SECURITY FOR THE BONDS—Pass-Through Payments— *Negotiated Pass-Through Amounts.*”

(5) The Redevelopment Law required 20% of tax increment revenues to be deposited into a low and moderate income housing fund; such requirement no longer applies under the Dissolution Act and such amounts are now included in the Apple Valley Share. See the caption “SECURITY FOR THE BONDS—Tax Increment Financing—Housing Set-Aside; Housing Fund.” SCLAA has not pledged former Housing Set-Aside Amounts attributable to the Apple Valley Subarea to the SCLAA bonds.

(6) Estimated Gross Tax Increment, less County administrative charges, Negotiated Pass-Through Amounts, and Housing Set Aside.

(7) 50% of the net non-housing tax increment revenue generated within the Apple Valley Subarea is allocated to SCLAA. The remaining 50% is allocated to the Successor Agency. See the caption “THE SUCCESSOR AGENCY TO THE REDEVELOPMENT OF THE TOWN OF APPLE VALLEY—The Victor Valley Economic Development Authority.”

(8) The Successor Agency’s 50% of net non-housing tax increment revenue plus the Housing Set-Aside attributable to the Apple Valley Subarea is allocated to the Town under the VVEDA JPA, and constitutes the Tax Revenues pledged to the Apple Valley-VVEDA Loan.

Source: RSG, Inc..

**(jjj) Debt Service Coverage**

Tables 14 and 15 set forth the estimated debt service coverage for the Project Area 2 Loan Payments and the Apple Valley-VVEDA Loan Payments using actual Fiscal Year 2019-20 Project Area 2 Tax Revenues and VVEDA Project Area Tax Revenues, respectively, assuming no growth for inflation.

**Table 14  
SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY  
PROJECT AREA 2  
Estimated Debt Service Coverage**

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>Project Area 2 Tax Revenues<sup>(1)</sup></b></i>	<i><b>Project Area 2 Loan Payments<sup>(2)</sup></b></i>	<i><b>Debt Service Coverage</b></i>
2021	\$6,221,825	\$2,233,655	279%
2022	6,221,825	1,039,750	598
2023	6,221,825	1,039,750	598
2024	6,221,825	1,039,750	598
2025	6,221,825	1,039,750	598
2026	6,221,825	2,014,750	309
2027	6,221,825	2,345,000	265
2028	6,221,825	2,343,750	265
2029	6,221,825	2,343,875	265
2030	6,221,825	2,345,125	265
2031	6,221,825	2,342,375	266
2032	6,221,825	2,340,500	266
2033	6,221,825	2,339,250	266
2034	6,221,825	2,333,500	267
2035	6,221,825	2,333,000	267
2036	6,221,825	2,327,500	267
2037	6,221,825	2,326,750	267

<sup>(1)</sup> See Table 12.

<sup>(2)</sup> Reflects debt service due in the calendar year in which the Tax Revenues are distributed from the Apple Valley RPTTF to the Successor Agency.



**Table 15**  
**SUCCESSOR AGENCY TO THE**  
**REDEVELOPMENT AGENCY OF THE TOWN OF APPLE VALLEY**  
**APPLE VALLEY SUBAREA OF THE VVEDA PROJECT AREA**  
**Estimated Debt Service Coverage**

<i><b>Fiscal Year Ending June 30</b></i>	<i><b>VVEDA Project Area Tax Revenues<sup>(1)</sup></b></i>	<i><b>Apple Valley- VVEDA Loan Payments<sup>(2)</sup></b></i>	<i><b>Debt Service Coverage</b></i>
2021	\$2,976,726	\$ 975,156	305%
2022	2,976,726	421,250	707
2023	2,976,726	421,250	707
2024	2,976,726	421,250	707
2025	2,976,726	421,250	707
2026	2,976,726	440,750	675
2027	2,976,726	737,125	404
2028	2,976,726	1,003,625	297
2029	2,976,726	1,031,375	289
2030	2,976,726	1,031,750	289
2031	2,976,726	1,035,250	288
2032	2,976,726	1,027,000	290
2033	2,976,726	1,027,000	290
2034	2,976,726	1,025,000	290
2035	2,976,726	1,025,875	290
2036	2,976,726	1,034,250	288
2037	2,976,726	1,030,125	289

<sup>(1)</sup> See Table 13.

<sup>(2)</sup> Reflects debt service due in the calendar year in which the Tax Revenues are distributed from the VVEDA RPTTF to VVEDA, and thereafter transferred by VVEDA to the Successor Agency.

### **(kkk) RISK FACTORS**

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

The various legal opinions to be delivered concurrently with the issuance of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, and the application of equitable principles.

#### **(III) COVID-19 (Coronavirus) Pandemic**

**[TO BE UPDATED AS NEEDED]** [The spread of the novel strain of coronavirus called COVID-19 is having significant negative impacts throughout the world, including in The Town. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the Town, the County, the State and the United States. The purpose behind these declarations is to coordinate and formalize emergency actions across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

To date there have been numerous confirmed cases of, and deaths resulting from, COVID-19 in the County, including within the Town, and health officials are expecting the number of confirmed cases and deaths to grow. The outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including schools in the Town). The United States is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns. On March 19, 2020, in an effort to slow the spread of COVID-19, Governor Newsom issued Executive Order N-33-20 ordering individuals living in the State to stay home or at their place of residence except for specified exceptions. In May 2020, the Governor outlined a phased approach to re-opening businesses in California, starting with retail businesses that can accommodate curbside pickup. On July 13, 2020, the Governor issued a new order re-imposing certain restrictions on business and individuals in light of rising cases of COVID-19 within the State.

Potential impacts to the Successor Agency associated with the COVID-19 outbreak include, but are not limited to, disruption of the regional and local economy with corresponding decreases in assessed values and delays in payment or collection of property tax. As described under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—Penalty" the County has waived penalties for failure to timely pay property taxes for Fiscal Year 2019-20 under certain circumstances. The Successor Agency cannot predict whether the County will take

similar actions with respect to future property tax payment penalties. The Successor Agency can provide no assurance that additional actions will not be taken by the County, the State, or individual property taxpayers that may have a material adverse impact on property tax revenues and the timing or amount of deposits into the Redevelopment Property Tax Trust Fund and the Successor Agency's ability to pay scheduled debt service on the Bonds when due. Further the economic impacts of the COVID-19 pandemic are not yet known and could result in a significant decline in assessed values of property in the Project Areas and a corresponding decline in Tax Revenues available to pay debt service on the Loans.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the Tax Revenues available to pay debt service on the Bonds is unknown. As of the date of this Official Statement, the Successor Agency does not believe that the impacts of the spread of COVID-19 will have a material adverse effect on its ability to pay scheduled debt service on the Bonds when due.]

See the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2 for additional information regarding the potential impacts of the federal, state and local responses to the COVID-19 pandemic on future Tax Revenues.

### **(mmm) Reduction in Taxable Value**

Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Areas and the current rate or rates at which property in the Project Areas is taxed. The reduction of taxable values of property in the Project Areas caused by economic factors beyond the Successor Agency's or the Successor Agency's control, such as relocation out of the Project Areas by one or more major tenants, sale of property to a government entity or non-profit corporation exempt from property taxation or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the Loans. Such reduction in Tax Revenues could have an adverse effect on the Successor Agency's ability to make timely Loan Payments, which could in turn have an adverse effect on the Authority's ability to make timely payments of principal of and interest on the Bonds.

As described in greater detail under the caption "PROPERTY TAXATION IN CALIFORNIA—Article XIII A of the State Constitution," Article XIII A 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 inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a

calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues securing the Loans.

In addition to the other limitations on and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, as described in this Official Statement, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the source of repayment and security of the Bonds.

Notwithstanding the foregoing, the assessed value of property within Project Area 2 could be reduced by 38% and still produce sufficient Tax Revenues to pay the Project Area 2 Loan and the assessed value of property within the Apple Valley Subarea of the VVEDA Project Area could be reduced by 43% and still produce sufficient Tax Revenues to pay the VVEDA Project Area Loan.

### **(nnn) Risks to Real Estate Market**

The Successor Agency's ability to make payments on the Loans, and therefore the Authority's ability to pay debt service on the Bonds, is dependent upon the economic strength of the Project Areas. The general economy of the Project Areas is subject to all of the risks generally associated with urban real estate markets. Real estate prices and development may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs, the supply of or demand for competitive properties in such area, the market value of property in the event of sale or foreclosure and other similar factors. Furthermore, real estate development within the Project Areas could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development, changes in real estate tax rates and other operating expenses, zoning laws and laws relating to threatened and endangered species and hazardous materials and fiscal policies, as well as natural disasters (including, without limitation, earthquakes, wildfires and floods), which may result in uninsured losses. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the Project Areas.

Because assessed values do not necessarily indicate fair market values, the declines in fair market values in recent years may have been even greater than the declines in assessed valuations, although it is also possible that market values could be greater than assessed valuations at any given time. No assurance can be given that the

individual parcel owners will pay property taxes in the future or that they will be able to pay such taxes on a timely basis. See the caption “—Bankruptcy and Foreclosure” for a discussion of certain limitations on The Town’s ability to pursue judicial proceedings with respect to delinquent parcels.

### **(ooo) Reduction in Inflation Rate**

As described in greater detail above, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the rate of inflation, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The State Board of Equalization directed county assessors to use 2.0% as the inflation factor for purposes of preparing the 2020-21 tax roll.

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

### **(ppp) Development Risks**

There remain undeveloped areas within the Project Areas. See Tables 5 and 6 under the caption “THE PROJECT AREAS—Project Area Characteristics.”

The remaining developments within the Project Areas will be subject to all the risks generally associated with real estate development. Projected development within the Project Areas may be subject to unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Areas could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Project Areas is delayed or halted, the economy of the Project Areas could be affected. If such events lead to a decline in assessed values, they could cause a reduction in Tax Revenues. In addition, if there is a decline in the general economy of the Project Areas, the owners of property within the Project Areas may be less able or less willing to make timely payments of property taxes causing a delay or stoppage of the Tax Revenues received by the Successor Agency from the Project Areas. In addition, the insolvency or bankruptcy of one or more large owners of property within the Project Areas could delay or impair the receipt of Tax Revenues by the Successor Agency, which could in turn delay or impair the ability of the Authority to pay debt service on the Bonds.

The projected Tax Revenues set forth in the Fiscal Consultant's Reports and under the caption "TAX REVENUES" do not assume future development within the Project Areas.

### **(qqq) Concentration of Ownership**

Based upon the fiscal year 2019-20 locally assessed tax roll reported by the County Assessor, the ten largest property taxpayers in Project Area 2 were responsible for approximately 8.24% of the Project Area 2 assessed value and approximately 13.71% of the total incremental assessed value within Project Area 2, and the ten largest property taxpayers in the Apple Valley Subarea of the VVEDA Project Area were responsible for approximately 14.55% of the assessed value in Apple Valley Subarea of the VVEDA Project Area and approximately 23.08% of the total incremental assessed value within Apple Valley Subarea of the VVEDA Project Area. See the Fiscal Consultant's Reports attached to this Official Statement as Appendices A-1 and A-2. Concentration of ownership presents a risk in that if one or more of the largest property owners were to default on their taxes, or were to successfully appeal the tax assessments on property within the Project Areas, a substantial decline in Tax Revenues could result. See Tables 3 and 4 under the caption "THE PROJECT AREAS—Project Areas Characteristics" for more information about these ten largest property taxpayers within each of the Project Areas and see "THE PROJECT AREAS—Assessment Appeals" for information as to pending appeals of tax assessments.

### **(rrr) Levy and Collection of Taxes**

The Authority and the Successor Agency have no independent power to levy or 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 security for and the ability of the Successor Agency to repay the Loans, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds.

Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Areas, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the Loans, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds. As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*," the County does not include any former redevelopment project areas in its Teeter Plan. Any reduction in Tax Revenues, whether for any of these reasons or any other reasons, could have an adverse effect on the Successor Agency's ability to pay Loan Payments, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds. See the Fiscal Consultant's Reports attached as Appendices A-1 and A-2 for more information regarding property tax collections in the County.

### **(sss) State Budget Issues**

**General.** AB X1 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, and constituted efforts to address structural deficits in the State general fund budget. In general terms, these bills implemented a framework to transfer cash assets which were previously held by redevelopment agencies to cities, counties and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs (then projected savings of \$1.5 billion). There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues, including Tax Revenues.

SB 107, which made extensive amendments to the Dissolution Act, was enacted following the adoption of the State fiscal year 2015-16 budget, after having initially been presented as AB 113, a trailer bill to the State fiscal year 2015-16 budget. SB 107 changed the process for submitting Recognized Obligation Payment Schedules from a six-month to an annual process, authorized successor agencies to submit and obtain DOF approval of a Last and Final ROPS to govern all remaining payment obligations of successor agencies, altered the provisions governing the distribution of Redevelopment Property Tax Trust Fund moneys attributable to pension and State Water Project tax rate overrides and eliminated the impact of financial and time limitations in redevelopment plans for purposes of paying enforceable obligations, among other changes to the Dissolution Act. These statutory amendments impact the manner in which successor agencies claim Redevelopment Property Tax Trust Fund moneys for enforceable obligations and, for some successor agencies, impact the amount of Redevelopment Property Tax Trust Fund moneys that will be available for payment of a successor agency's enforceable obligations.

The following information concerning the State's budget for fiscal year 2019-20 has been obtained from publicly available information that the Authority believes to be reliable; however, The Town and the Underwriter take no responsibility for the accuracy or completeness thereof and have not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the DOF, <http://www.dof.ca.gov>, under the heading "California Budget." An impartial analysis of the budget is posted by the Legislative Analyst's Office (the "LAO") at <http://www.lao.ca.gov>. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on cities in the State, may be found at the website of the State Treasurer, <http://www.treasurer.ca.gov>. The information referred to is prepared by the respective State agency maintaining each website and not by the Authority or the Underwriter, and the Authority and the Underwriter take no responsibility for the continued accuracy of these Internet addresses or for the accuracy, completeness or timeliness of information posted thereon, and such information is not incorporated herein by these references.

For additional information regarding the 2019-20 Budget and the 2020-21 Budget, see the DOF's website at [www.dof.ca.gov](http://www.dof.ca.gov) and the LAO's website at [www.lao.ca.gov](http://www.lao.ca.gov).

Certain litigation which challenges some of the terms of the Dissolution Act is currently ongoing (as described under the caption “—Changes in the Law”), and it is anticipated that there will be additional future legislation in this area. The Authority cannot predict what measures may be proposed or implemented for the current fiscal year or in the future.

*None of the websites or webpages that are referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. Neither the Authority nor the Underwriter makes any representation whatsoever as to the accuracy or completeness of any of the information on such websites.*

There can be no assurance that additional legislation will not be enacted in the future to additionally implement provisions relating to the State budget or otherwise that may affect successor agencies or tax increment revenues.

### **(ttt) Recognized Obligation Payment Schedule**

The Dissolution Act provides that, commencing on the date that the first Recognized Obligation Payment Schedule is valid thereunder, only those obligations listed in the Recognized Obligation Payment Schedule may be paid by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each February 1, with respect to the following fiscal year, the Dissolution Act requires successor agencies to prepare, approve and submit to the successor agencies' oversight boards and the DOF for approval a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as described under the caption “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule”) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax revenues will not be distributed from a Redevelopment Property Tax Trust Fund by the County Auditor-Controller to a successor agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the June 1 property tax distribution date. See the caption “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule” and “PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Recognized Obligation Payment Schedule.*” The Successor Agency and VVEDA filed each of their Recognized Obligation Payment Schedules on or before the applicable statutory deadline.

In the event that the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a fiscal year, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. In the event that a successor agency fails to submit to the DOF an oversight board-approved Recognized Obligation Payment Schedule complying with the provisions of the Dissolution Act within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations, the DOF may determine



if any amount should be withheld by the applicable county auditor-controller for payments for enforceable obligations from distribution to taxing entities pursuant to clause (iv) below, pending approval of a Recognized Obligation Payment Schedule. Upon notice provided by the DOF to the county auditor-controller of an amount to be withheld from allocations to taxing entities, the county auditor-controller must distribute to taxing entities any moneys in the Redevelopment Property Tax Trust Fund in excess of the withholding amount set forth in the notice, and the county auditor-controller must distribute withheld funds to the successor agency only in accordance with a Recognized Obligation Payment Schedule when and as approved by the DOF.

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, the county auditor-controller is to distribute funds for each six-month period (after retention of amounts due to county auditor-controllers for administrative fees) in the following order specified in Section 34183 of the Dissolution Act:

(i) First, to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including the Negotiated Pass-Through Amounts and Statutory Pass-Through Amounts. Pension or State Water Project override revenues that are not pledged to or not needed for debt service on Successor Agency debt will be allocated and paid to the entity that levies the override;

(ii) Second, to the Successor Agency for payments listed in its Recognized Obligation Payment Schedule;

(iii) Third, to the Successor Agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) Fourth, the remainder is distributed to the taxing entities in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in such Fiscal Year (without adjustment for pass-through obligations).

The Successor Agency and VVEDA are each responsible for submitting separate annual Recognized Obligation Payment Schedules including all payments required under enforceable obligations of the Successor Agency and VVEDA, respectively. The Successor Agency has covenanted in the Loan Agreements to include all Loan Payments in its Recognized Obligation Payment Schedules in accordance with the requirements specified in the Loan Agreements and to cause VVEDA to include all Loan Payments required under the Apple Valley-VVEDA Loan Agreement in VVEDA's Recognized Obligation Payment Schedules in accordance with the requirements specified in the Apple Valley-VVEDA Loan Agreement.

The Successor Agency has covenanted in the Loan Agreements to take all actions required under the Dissolution Act to enable the County Auditor-Controller to distribute from the Apple Valley RPTTF and the VVEDA RPTTF on each RPTTF Distribution Date

amounts required for the Successor Agency to pay the Project Area 2 Loan Payments and the Apple Valley-VVEDA Loan Payments, respectively, and other amounts required under the Loan Agreements. See the caption “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule” and Appendix B.

The Dissolution Act also imposes certain penalties in the event that the Successor Agency does not timely submit a Recognized Obligation Payment Schedule for each fiscal year. Specifically, a Recognized Obligation Payment Schedule must be submitted by the Successor Agency, after approval by the oversight board, to the County Administrative Officer, the County Auditor-Controller, the DOF and the State Controller by February 1 in each year with respect to the following Fiscal Year. If a successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by such deadline, the city or county that provides for its governance will be subject to a civil penalty equal to \$10,000 per day for every day that the schedule is not submitted. Additionally, the successor agency’s administrative cost allowance will be reduced by 25% for any fiscal year for which the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline. If a successor agency fails to submit a Recognized Obligation Payment Schedule by the February 1 deadline, any creditor of the successor agency, the DOF or any affected taxing entity will have standing to, and may request a writ of mandate to, require the successor agency to immediately perform this duty. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Loans and the Bonds, see the captions “SECURITY FOR THE BONDS—Recognized Obligation Payment Schedule” and “THE PROJECT AREAS—Project Area Characteristics.”

### **(uuu) Last and Final Recognized Obligation Payment Schedule**

SB 107 amended the Dissolution Act to permit certain successor agencies with limited remaining obligations to submit a Last and Final ROPS for approval by the oversight board and DOF. The Last and Final ROPS must list the remaining enforceable obligations of the successor agency, including the total outstanding obligation amount and a schedule of remaining payments for each enforceable obligation. The Last and Final ROPS shall also establish the maximum amount of Redevelopment Property Tax Trust Funds to be distributed to the successor agency for each remaining fiscal year until all obligations have been fully paid.

Any revenues, interest, and earnings of the successor agency, including proceeds from the disposition of real property, that are not authorized for use pursuant to the approved Last and Final ROPS shall be remitted to the county auditor-controller for distribution to the affected taxing entities. A successor agency shall not expend more than the amount approved for each enforceable obligation listed on the approved Last and Final ROPS and once the successor agency has received Redevelopment Property Tax Trust Fund moneys equal to the amount of the total outstanding obligations approved in the Last and Final ROPS, the county auditor-controller will not allocate further Redevelopment Property Tax Trust Fund moneys to the successor agency.

Successor agencies may only amend an approved Last and Final ROPS twice. If the Successor Agency prepares and obtains DOF approval of a Last and Final ROPS and subsequently amends the Last and Final ROPS two times, the Successor Agency may be unable to make unexpected or unscheduled reserve deposits or payments due to the Insurer or insurers of Parity Debt.

The Successor Agency has no current plans to seek approval of a Last and Final ROPS. [The Successor Agency has covenanted in the Loan Agreements not to cooperate with VVEDA in connection with the submittal by VVEDA, and not to submit, to the Oversight Board or the DOF a request for the final amendment permitted for any Last and Final Recognized Obligation Payment Schedule of VVEDA or the Successor Agency without the prior written consent of the Insurer, unless all amounts that could become due and payable to the Insurer under the Indenture and attributable to Loan Payments due under the applicable Loan Agreement would be included as a line item on such Last and Final Recognized Obligation Payment Schedule, as amended.]

### **(vvv) Bankruptcy and Foreclosure**

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights (such as the Soldiers' and Sailors' Relief Act of 1940 discussed below) or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinions) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings because federal bankruptcy laws may provide for an automatic stay of foreclosure and sale of tax sale proceedings. Such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the Loan Payments. Moreover, if the value of the subject property is less than the lien of property taxes, such excess could be treated as an unsecured claim by the bankruptcy court. Further, should remedies be exercised under the federal bankruptcy laws, payment of property taxes may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over property taxes in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

In addition, the United States Bankruptcy Code might prevent moneys on deposit in the Redevelopment Obligation Retirement Fund from being applied to pay the interest components of the Loan Payments and/or to prepay the Loan Payments if bankruptcy proceedings were brought by or against a landowner and if the court found that any of

such landowner had an interest in such moneys within the meaning of Section 541(a)(1) of the United States Bankruptcy Code.

Other laws generally affecting creditors' rights or relating to judicial foreclosure may affect the ability to enforce payment of property taxes or the timing of enforcement thereof. For example, the Soldiers and Sailors Civil Relief Act of 1940 affords protections such as a stay in enforcement of the foreclosure covenant, a six-month period after termination of military service to redeem property sold to enforce the collection of a tax or assessment and a limitation on the interest rate on the delinquent tax or assessment to persons in military service if a court concludes that the ability to pay such taxes or assessments is materially affected by reason of such service.

As discussed under the caption "PROPERTY TAXATION IN CALIFORNIA—Property Tax Collection Procedures—*Delinquencies*," former redevelopment project areas are not included in the County's Teeter Plan, and therefore the receipt of property taxes within the Project Areas is subject to delinquencies.

### **(www)Estimated Revenues**

In estimating that Tax Revenues will be sufficient to pay the Loan Payments, the Successor Agency and the Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance that these assumptions will be realized. To the extent that the assessed valuation and the tax rates are less than expected, the Tax Revenues which are available to pay the Loan Payments will be less than those projected and such reduced Tax Revenues may be insufficient to provide for the payment of the Loan Payments, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds. See Appendices A-1 and A-2 and the caption "TAX REVENUES."

### **(xxx) Hazardous Substances**

While governmental taxes, assessments, and charges are a common claim against the value of a taxable parcel, other less common claims may be relevant. One example is a claim with regard to a hazardous substance.

The presence of hazardous substances on a parcel may result in a reduction in the value of a parcel. In general, the owners and operators of a taxable parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but State and local laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated 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 taxable parcels be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the property that is realizable upon a delinquency and foreclosure.

Further, it is possible that liabilities may arise in the future with respect to any of the taxable parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a taxable parcel that is realizable upon a delinquency.

### **(yyy) Natural Disasters**

The value of the property in the Project Areas in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as high winds or droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Areas could be diminished in the aftermath of such events. A substantial reduction of the value of such properties and could affect the ability or willingness of the property owners to pay the property taxes. The Town has undertaken measures which include building inspection and enforcement of building codes, community education and seismic assessment of new development projects.

**Seismic Risks.** According to the Town's General Plan, the Town is located in the vicinity of several active seismic faults, including the Helendale fault, the San Andreas fault, the North Frontal fault, the Cleghorn fault, the Cucamonga fault and the San Jacinto fault. Of these, the North Frontal fault has the potential to generate the strongest seismic shaking in the Town and is located approximately one-half mile from the Town. According to the Town's General Plan, there are no faults mapped by the State within the Town's corporate limits. The occurrence of severe seismic activity in The Town could result in substantial damage to property located in the Project Areas, and could lead to successful appeals for reduction in assessed values of such property. Such a reduction could result in a decrease in Tax Revenues, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds.

**Flood Risks.** Portions of the Town are located within the 100-year floodplain, including portions of Project Areas. The Town has identified flooding sources within the

Town that include the floodplains of the Mojave River, Apple Valley Dry Lake or the Desert Knolls Wash area. A portion of Apple Valley Dry Lake is located within Project Area 2 and a portion of the Desert Knolls Wash area is located within the VVEDA Project Area.

**Wildfires.** The entire Town is classified as a High Fire Hazard Zone. This classification establishes a series of stringent building code requirements that apply to all properties within the Fire Hazard Zone and are intended to retard the rate of spread and reduce the potential intensity of uncontrolled fires. These building code provisions address roofing materials. The Town has adopted building standards to meet the requirements of the Fire Hazard Zone classification. Property damage due to wildfires could result in a decrease in Tax Revenues, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds.

### **(zzz) Changes in the Law**

There can be no assurance that the State electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Tax Revenues, which could have an adverse effect on the Successor Agency's ability to pay the Loan Payments, which could in turn have an adverse impact on the ability of the Authority to pay debt service on the Bonds.

### **(aaaa) Investment Risk**

Funds held under the Indenture and the Loan Agreements are required to be invested in Permitted Investments as provided under the Indenture. See Appendix B for a summary of the definition of Permitted Investments. The funds and accounts of the Authority and the Successor Agency, into which a portion of the proceeds of the Bonds will be deposited and into which Tax Revenues are deposited, may be invested by the Authority and the Successor Agency in any investment authorized by law. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal.

Further, the Successor Agency cannot predict the effects on the receipt of Tax Revenues if the County were to suffer significant losses in its portfolio of investments or if the County or The Town were to become insolvent or declare bankruptcy. See Appendix E for information regarding The Town's finances. See also the caption "— Bankruptcy and Foreclosure."

### **(bbbb) Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that the Bonds can be sold for any particular price. Although the Successor Agency has committed to provide certain financial and operating information on an annual basis, there can be no assurance that such information will be available to Bondowners on a timely basis. See the caption "CONCLUDING

INFORMATION—Continuing Disclosure” and Appendix H. Any failure to provide annual financial information, if required, does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **(cccc)No Validation Proceeding Undertaken**

Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Loans, Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Authority and the Successor Agency have not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Bonds or the Loans. The Authority, the Successor Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the Loans and specifying the related deadline for any challenge to the Loans to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds, the incurrence of indebtedness (such as the Loans), the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving such financing. Such challenge period expired with respect to the Loans and the Oversight Board Action on July 11, 2020.

It is possible that the definition of Tax Revenues could be affected by changes in law or judicial decisions relating to the dissolution of redevelopment agencies. The Loan Agreements provide that if, and to the extent, that the applicable property tax revenue provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid, and in place of any such invalid provisions, then Tax Revenues will include all tax revenues allocated to the payment of indebtedness pursuant to Health & Safety Code Section 33670 or such other section as may be in effect at the time providing for the allocation of tax increment revenues in accordance with Article XVI, Section 16 of the State Constitution. Additionally, any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of the Loan Payments could be subject to

issues regarding unconstitutional impairment of contracts and unconstitutional taking without just compensation. The Successor Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Successor Agency and the availability of Tax Revenues for the payment of Loan Payments and, in turn, debt service on the Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, neither the Authority nor the Successor Agency provides any assurance that any other lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Successor Agency's ability to timely pay the Loan Payments.

#### **(dddd) IRS Audit of Tax-Exempt Bond Issues**

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

#### **(eeee) Loss of Tax Exemption**

As discussed under the caption "TAX MATTERS," in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, The Town, the Successor Agency and the Authority have covenanted in the Loan Agreements, the Indenture and the Tax Certificate relating to the Bonds not to take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of The Town, the Successor Agency or the Authority subsequent to the issuance of the Bonds in violation of such covenants with respect to the Bonds. Should such an event of taxability occur, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to the redemption provisions of the Indenture.

#### **(ffff) Bonds Are Limited Obligations**

Neither the faith and credit nor the taxing power of the Authority (except to the limited extent set forth in the Indenture), Successor Agency, the Town, the State or any political subdivision thereof is pledged to the payment of the Bonds. The Bonds are special obligations of the Authority; and, except as provided in the Indenture, they are payable solely from Revenues. Revenues could be insufficient to pay debt service on the Bonds as a result of delinquencies in the payment of property taxes or the insufficiency of proceeds derived from the sale of land within the Project Areas following a delinquency in the payment of the applicable property taxes. The Authority has no obligation to pay debt service on the Bonds in the event of insufficient Revenues, except to the extent that money is available for such purpose in the Revenue Fund (except for monies in the Rebate Account), the Interest Account, the Principal Account and the Reserve Account.



## **(gggg) Limitations on Remedies**

Remedies available to the Owners of the Bonds may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Bonds or to preserve the tax-exempt status of the Bonds.

Bond Counsel has limited its opinion as to the enforceability of the Bonds and of the Indenture to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other similar laws affecting generally the enforcement of creditors' rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Bonds are not subject to acceleration in the event of the breach of any covenant or duty under the Indenture. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners.

Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the Authority, may become subject to the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the federal Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against governmental entities in the State. See the caption "—Bankruptcy and Foreclosure."

## **(hhhh) TAX MATTERS**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to an Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by an Owner will increase the Owner's basis in the applicable Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the Owner of the Bond is excluded from gross income of such Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond

Counsel, the amount of original issue discount that accrues to the Owner of the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the Successor Agency and The Town and others and is subject to the condition that the Authority, the Successor Agency and The Town comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority, the Successor Agency and The Town will covenant to comply with all such requirements.

The amount by which an Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in an Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority, the Successor Agency and The Town continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

FOLLOWING THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE BONDS OR THE MARKET VALUE OF THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. IT IS POSSIBLE THAT LEGISLATIVE CHANGES WILL BE INTRODUCED WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME OR STATE TAX BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, FOLLOWING THE ISSUANCE OF THE BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

A copy of the proposed form of Bond Counsel's opinion to be delivered on the Closing Date is attached hereto as Appendix C.

### **(iii) CONCLUDING INFORMATION**

#### **(jjj) Underwriting**

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to the Bond Purchase Agreement. The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the aggregate principal amount thereof, plus original issue premium of \$\_\_\_\_\_ and less an Underwriter's discount of \$\_\_\_\_\_). The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside front cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into

investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

#### **(kkkk) Municipal Advisor**

Urban Futures, Inc., Tustin, California, has served as municipal advisor (“Municipal Advisor”) to the Successor Agency in connection with the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

#### **(III) Verification of Mathematical Computations**

The Verification Agent, an independent accountant, upon delivery of the Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them that were prepared by the Successor Agency, relating to the sufficiency of the cash and/or the maturing principal of and interest on the escrow securities to be deposited in the respective escrow funds for the Refunded Bonds, to pay, when due, the principal, whether at maturity or upon prior redemption, interest and redemption premium with respect to the Refunded Bonds.

The Verification Agent’s report will include the statement that the scope of its engagement is limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it, and that it has no obligation to update its report because of events occurring, or date or information coming to its attention, subsequent to the date of its report.

#### **(mmmm) Legal Opinions**

The opinions of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, approving the validity of the Bonds and stating that interest on the Bonds is excluded from gross income for federal income tax purposes and exempt from California personal income taxes under present State income tax laws will be furnished to the purchaser at the time of delivery of the Bonds at the expense of the Authority. Compensation for Bond Counsel’s services is entirely contingent upon the sale and delivery of the Bonds.

A copy of the proposed form of Bond Counsel’s final approving opinion with respect to the Bonds is attached hereto as Appendix C. The legal opinions are only as to legality and are not intended to be nor are they to be interpreted or relied upon as a disclosure document or an express or implied recommendation as to the investment quality of the Bonds.

In addition, certain legal matters will be passed on for the Underwriter by Jones Hall, A Professional Law Corporation, San Francisco, California, as Underwriter’s Counsel, for the Authority and the Successor Agency by the Town Attorney of the Town

of Apple Valley, as counsel to the Authority and the Successor Agency and for the Trustee by its counsel.

**(nnnn)            Litigation**

There is no action, suit or proceeding known to the Authority to be pending and notice of which has been served upon and received by the Authority, or threatened, restraining or enjoining the execution or delivery of the Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority taken with respect to any of the foregoing. There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the Loan Agreements or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

**(oooo)            Rating**

S&P has assigned an underlying rating of “\_\_” to the Bonds. There is no assurance that the credit ratings given to the Bonds will be maintained for any period of time or that the ratings may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P.

**(pppp)            Continuing Disclosure**

The Successor Agency has covenanted in a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) for the benefit of the holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the Successor Agency by nine months following the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30) (the “Annual Report”), commencing with the report for fiscal year ending June 30, 2020, and to provide notices of the occurrence of certain enumerated events.

The Annual Report and the notices of enumerated events will be filed by the Successor Agency with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events are set forth in Appendix H. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”).

The Continuing Disclosure Certificate will inure solely to the benefit of any Dissemination Agent, the Underwriter and Owners or Beneficial Owners from time to time of the Bonds. A default under the Continuing Disclosure Certificate is not a default under

the Indenture or the Loan Agreements and the sole remedy following a default is an action to compel specific performance by the Successor Agency with the terms of the Continuing Disclosure Certificate.

[In the past five years \_\_\_\_\_.] [Update based on compliance review.]

**(qqqq) Miscellaneous**

All of the preceding summaries of the Indenture, the Loan Agreements, the JPA Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, the Redevelopment Plans for the Project Areas, 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 Authority for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or 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 the Executive Director of the Authority and the Town Manager of the Town of Apple Valley, has been duly authorized by the Authority and the Successor Agency.

APPLE VALLEY PUBLIC FINANCING  
AUTHORITY

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

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN  
OF APPLE VALLEY

By: \_\_\_\_\_  
Town Manager, Town of Apple Valley

**APPENDIX A-1**  
**FISCAL CONSULTANT'S REPORT**  
**APPLE VALLEY PROJECT AREA NO. 2**

**APPENDIX A-2**

**FISCAL CONSULTANT'S REPORT**

**VICTOR VALLEY REDEVELOPMENT PROJECT AREA –  
TOWN OF APPLE VALLEY JURISDICTION**



## **APPENDIX B**

### **SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

*The following is a brief summary of certain provisions of the Indenture and the Loan Agreements that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual Indenture and Loan Agreements (copies of which may be obtained from the Trustee) for the complete terms thereof.*

## APPENDIX C

### FORM OF BOND COUNSEL OPINION

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

[Delivery Date]

Apple Valley Public Financing Authority  
Apple Valley, California

Re: \$\_\_\_\_\_ *Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A*

Ladies and Gentlemen:

We have examined the Constitution and the laws of the State of California, a certified record of the proceedings of the Apple Valley Public Financing Authority (the "Authority") taken in connection with the issuance by the Authority of the Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A (the "Bonds") and such other information and documents as we consider necessary to render this opinion.

In rendering this opinion, we have relied upon certain representations and certifications of fact made by the Authority, the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the "Successor Agency"), the initial purchaser of the Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The Bonds have been issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, as amended (Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code) (the "Act"), that certain Indenture of Trust dated as of \_\_\_\_\_ 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as Trustee, and an authorizing resolution adopted by the Board of Directors of the Authority (the "Board") on June 9, 2020 (the "Resolution"), approving the Indenture. Capitalized terms not defined herein shall have the meaning set forth in the Indenture. Debt service on the Bonds is secured by Loan Payments to be made by the Successor Agency to the Authority pursuant to a Project Area No. 2 Loan Agreement and an Apple Valley-VVEDA Loan Agreement (collectively, the "Loan Agreements") each dated as of \_\_\_\_\_ 1, 2020 and entered into by and between the Authority and the Successor Agency.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture.

(2) The Indenture has been duly executed and delivered by the Authority and the Loan Agreements have been duly executed and delivered by the Authority and the Successor Agency. The Indenture creates a valid pledge of the Revenues to secure the Bonds and the amounts on deposit in certain funds and accounts established under the Indenture to secure the Bonds, as and to the extent provided in the Indenture, and the Loan Agreements create a valid pledge of the Tax Revenues (as defined in the Loan Agreements) to secure the Loan Payments (as defined in the Loan Agreements). The Indenture is enforceable against the Authority in accordance with its terms and the Loan Agreements are enforceable against the Authority and the Successor Agency in accordance with their respective terms.

(3) Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the 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.

(4) Interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

(5) The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity are to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond. Original issue discount that accrues to the Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above), and is exempt from State of California personal income tax.

(6) The amount by which a Bond owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond owner realizing a taxable gain

when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner.

The opinions expressed herein as to the exclusion from gross income for federal income tax purposes of interest and original issue discount on the Bonds is subject to the condition that the Authority, the Successor Agency and The Town of Apple Valley comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority, the Successor Agency and the Town of Apple Valley each has covenanted to comply with all such requirements. Except as set forth herein, we express no opinion as to any tax consequences related to the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate and the Loan Agreements may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the exclusion of interest (and original issue discount) on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Stradling Yocca Carlson & Rauth, A Professional Corporation.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel terminates upon the issuance of the Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

We call attention to the fact that the rights and obligations under the Indenture, the Loan Agreements and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this opinion, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Bonds, the Indenture or the Loan Agreements, nor are we expressing

any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Loan Agreements or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on any assets thereunder.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the Bonds or other offering material relating to the Bonds and expressly disclaim any duty to advise the owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for Bonds. 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 each maturity of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable

to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for 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 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 Bonds, except in the event that use of the book-entry system for Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 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 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on 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 Authority 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, the Trustee, or the Authority, 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 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority 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 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

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



**APPENDIX E**

**TOWN OF APPLE VALLEY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR  
FISCAL YEAR ENDED JUNE 30, 2019**

**APPENDIX F**  
**STATE DEPARTMENT OF FINANCE LETTER**

## APPENDIX G

### SUPPLEMENTAL INFORMATION — THE TOWN OF APPLE VALLEY

*The following information relating to the Town of Apple Valley (the “Town”) and the County of San Bernardino, California (the “County”) is supplied solely for purposes of information. Neither the Town nor the County is obligated in any manner to pay principal of or interest on the Bonds or to cure any delinquency or default on the Bonds. The Bonds are payable solely from the sources described in the Official Statement.*

*The Town has not independently verified the information set forth in this Appendix G and while this information is believed to be reliable, it is not guaranteed as to accuracy by the Authority, Successor Agency or the Town. Certain information relating to employment, income and taxable transactions to be released for 2020 can be expected to be materially different from the historical figures set forth in this Appendix G. See “RISK FACTORS—COVID-19 (Coronavirus) Pandemic” in the Official Statement.*

#### General

The Town of Apple Valley was incorporated in 1988 as a general law. The Town is located approximately 90 miles northeast of the City of Los Angeles and approximately 40 miles north of the City of San Bernardino in the heart of Victor Valley in San Bernardino County. The Town is situated at an elevation of approximately 3,000 feet and encompasses approximately 78 square miles.

#### Population

The following table offers population figures for the Town, the County and the State for 2016 through 2020.

<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Town of Apple Valley	72,545	73,077	73,707	74,140	74,394
County of San Bernardino	2,123,677	2,141,391	2,152,845	2,168,964	2,180,537
State of California	39,131,307	39,398,702	39,586,646	39,695,376	39,782,870

Source: California State Department of Finance, Demographic Research Unit. 2010 Census Benchmark.

## Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the Town and County from 2015 through 2019.

### BUILDING PERMIT VALUATIONS Town of Apple Valley 2015-2019

	2015	2016	2017	2018	2019
Valuation (\$000):					
Residential	\$17,117	\$20,249	\$33,188	\$16,841	\$26,670
Non-residential	<u>4,933</u>	<u>6,037</u>	<u>1,954</u>	<u>10,994</u>	<u>13,971</u>
Total*	\$22,050	\$26,286	\$35,142	\$27,835	\$40,641
Residential Units:					
Single family	110	144	237	79	101
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>
Total	110	144	237	79	105

\* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

### BUILDING PERMIT VALUATIONS County of San Bernardino 2015-2019

	2015	2016	2017	2018	2019
Valuation (\$000):					
Residential	\$1,056,572	\$888,141	\$1,366,023	\$1,455,280	\$1,450,638
Non-residential	<u>2,203,293</u>	<u>1,882,423</u>	<u>2,651,620</u>	<u>2,535,410</u>	<u>2,827,737</u>
Total*	\$3,259,865	\$2,770,564	\$4,017,643	\$3,990,690	\$4,278,375
Residential Units:					
Single family	2,753	2,896	4,253	3,311	4,096
Multiple family	<u>1,159</u>	<u>976</u>	<u>2,578</u>	<u>1,775</u>	<u>1,884</u>
Total	3,912	3,872	6,831	5,086	5,980

\* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

## Employment

The following tables show the largest employers located in the Town and County as of fiscal year 2019.

### LARGEST EMPLOYERS Town of Apple Valley 2019

<i>Rank</i>	<i>Name of Business</i>	<i>Employees</i>
1.	Apple Valley Unified School District	1,574
2.	St. Mary Regional Medical Centre	1,501
3.	Wal-Mart Distribution Centre	1,201
4.	Target Stores	349
5.	Wal-Mart Stores	250
6.	State Brothers Market	212
7.	Winco Foods	171
8.	Apple Valley Post Acute Centre	170
9.	The Home Depot	133
10.	Lowe's	140

Source: Town of Apple Valley Comprehensive Annual Financial Report for the year ending June 30, 2019.

### LARGEST EMPLOYERS County of San Bernardino 2019<sup>(2)</sup>

<i>Rank</i>	<i>Name of Business</i>	<i>Employees<sup>(1)</sup></i>
1	County of San Bernardino	>10,000
2	Amazon	>10,000
3	Loma Linda University Medical Center	>10,000
4	Kaiser Permanente	>10,000
5	State of California	>10,000
6	Wal-Mart	5,000-9,999
7	United Parcel Service	5,000-9,999
8	Stater Brothers	5,000-9,999
9	Federal Express	2,500-4,999
10	San Manuel Tribe & Casino	2,500-4,999

<sup>(1)</sup> Data represents estimated number of employees.

<sup>(2)</sup> Due to the confidentiality of reporting number of employees, ranges have been provided.

Source: County of San Bernardino Comprehensive Annual Financial Report for the year ending June 30, 2019.

## **Employment and Industry**

Employment data by industry is not separately reported on an annual basis for the Town but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the "MSA"), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the MSA has large and growing commercial and service sector employment, as reflected in the table below.

The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2015 through 2019.

### **RIVERSIDE-SAN BERNARDINO-ONTARIO MSA INDUSTRY EMPLOYMENT & LABOR FORCE - BY ANNUAL AVERAGE**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Civilian Labor Force	1,954,200	1,983,300	2,017,700	2,653,400	2,071,800
Civilian Employment	1,825,800	1,865,200	1,914,900	1,966,800	1,988,600
Civilian Unemployment	128,500	118,000	102,800	86,600	83,200
Civilian Unemployment Rate	6.6%	6.0%	5.1%	4.2%	4.0%
Total Farm	14,800	14,600	14,500	14,500	15,100
Total Nonfarm	1,354,400	1,403,300	1,454,900	1,506,700	1,541,800
Total Private	1,121,100	1,161,000	1,203,900	1,249,500	1,281,300
Goods Producing	183,100	191,600	197,600	207,500	208,300
Mining & Logging	1,300	900	1,000	1,200	1,200
Construction	85,700	92,000	97,400	105,200	105,900
Manufacturing	96,200	98,700	99,200	101,100	101,200
Service Providing	1,171,200	1,211,700	1,257,300	1,299,300	1,333,500
Trade,	00	00	00	00	00
Transportation & Utilities	333,100	347,900	365,500	379,600	390,700
Wholesale Trade	60,500	61,600	62,600	65,500	66,700
Retail Trade	174,400	178,300	180,900	181,200	181,300
Transportation, Warehousing & Utilities	98,100	108,000	122,100	132,900	142,800
Information	11,700	11,800	11,600	11,400	11,500
Financial Activities	43,700	44,300	43,900	43,800	44,200
Professional & Business Services	147,400	144,900	146,900	151,400	155,500
Educational & Health Services	206,300	215,700	226,700	239,500	250,100
Leisure & Hospitality	151,700	160,200	166,300	170,600	175,200
Other Services	44,000	44,600	45,400	45,800	45,800
Government	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,200</u>	<u>260,500</u>
Total, All Industries	<u>5,532,000</u>	<u>5,733,400</u>	<u>5,948,700</u>	<u>6,163,900</u>	<u>6,312,600</u>

Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to total due to independent rounding. The "Total, All Industries" data is not directly comparable to the employment data found in this Appendix G.

Source: State of California, Employment Development Department, 2019 Benchmark.



The following table summarizes the labor force, employment and unemployment figures for the period from 2015 through 2019 for the Town, the County, the State and the nation as a whole.

**TOWN OF APPLE VALLEY,  
COUNTY OF SAN BERNARDINO,  
STATE OF CALIFORNIA AND UNITED STATES  
Average Annual Civilian Labor Force, Employment and Unemployment**

	<i>Labor Force</i>	<i>Employment<sup>(1)</sup></i>	<i>Unemployment<sup>(2)</sup></i>	<i>Unemployment Rate<sup>(3)</sup></i>
<b>2015</b>				
Town of Apple Valley	27,800	25,800	1,900	6.9%
San Bernardino County	919,200	860,000	59,200	6.4
California	18,828,800	17,660,700	1,168,100	6.2
United States <sup>(4)</sup>	157,130,000	148,834,000	8,296,000	5.3
<b>2016</b>				
Town of Apple Valley	28,200	26,300	1,900	6.6%
San Bernardino County	930,100	876,400	53,700	5.8
California	19,021,200	17,980,100	1,041,100	5.5
United States <sup>(4)</sup>	159,187,000	151,436,000	7,751,000	4.9
<b>2017</b>				
Town of Apple Valley	28,500	26,900	1,600	5.6%
San Bernardino County	943,100	896,700	46,500	4.9
California	19,176,400	18,257,100	919,300	4.8
United States <sup>(4)</sup>	160,320,000	153,337,000	6,982,000	4.4
<b>2018</b>				
Town of Apple Valley	28,900	27,500	1,400	4.9%
San Bernardino County	956,100	916,700	39,400	4.1
California	19,280,800	18,460,700	820,100	4.3
United States <sup>(4)</sup>	162,075,000	155,761,000	6,314,000	3.9
<b>2019</b>				
Town of Apple Valley	29,200	27,900	1,300	4.5%
San Bernardino County	967,700	930,700	37,000	3.8
California	19,411,600	18,627,400	784,200	4.0
United States <sup>(4)</sup>	163,539,000	157,538,000	6,001,000	3.7

(1) Includes persons involved in labor-management trade disputes.

(2) Includes all persons without jobs who are actively seeking work.

(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.

(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2019 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

## Personal Income

Personal Income is the income that is received by all persons from all sources. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation and capital consumption adjustments, rental income of persons with capital consumption adjustment, personal dividend income, personal interest income, and personal current transfer receipts, less contributions for government social insurance.

The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in the area; therefore, the estimates of personal income are presented by the place of residence of the income recipients.

Total personal income in San Bernardino County increased by 52% between 2007 and 2018. The following tables summarize personal income for San Bernardino County for 2007 through 2018.

**PERSONAL INCOME**  
**San Bernardino County**  
**2007-2018**  
**(Dollars in Thousands)**

<i>Year</i>	<i>San Bernardino County</i>	<i>Annual Percent Change</i>
2007	\$59,958,188	N/A
2008	60,408,775	0.7
2009	58,646,263	(3.0)
2010	60,341,644	2.8
2011	64,031,994	6.1
2012	65,821,308	2.7
2013	67,628,367	2.7
2014	72,097,622	6.6
2015	76,881,147	6.6
2016	80,228,377	4.3
2017	83,217,749	3.7
2018	87,550,004	5.2

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The following table summarizes per capita personal income for San Bernardino County, California and the United States for 2007-2018. This measure of income is calculated as the personal income of the residents of the area divided by the resident population of the area.

**PER CAPITA PERSONAL INCOME**  
**San Bernardino County, State of California and the United States**  
**2007-2018**

<i>Year</i>	<i>San Bernardino County</i>	<i>California</i>	<i>United States</i>
2007	30,097	\$43,629	\$39,844
2008	30,148	43,890	40,904
2009	29,120	42,044	39,824
2010	29,566	43,634	40,547
2011	31,068	46,170	42,739
2012	31,733	48,798	44,605
2013	32,453	49,277	44,860
2014	34,320	52,324	47,071
2015	36,311	55,758	48,994
2016	37,592	57,739	49,890
2017	38,648	60,156	51,910
2018	40,316	63,557	54,526

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

**Taxable Sales**

The table below presents taxable sales for the years 2013 through the 2019<sup>(1)</sup> for the Town.

**TAXABLE SALES**  
**Town of Apple Valley**  
**2013-2019<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2013	1,069	\$486,924
2014	1,062	497,763
2015 <sup>(1)</sup>	1,244	503,572
2016	1,329	513,422
2017	1,327	561,066
2018	1,396	590,213
2019	1,506	602,463

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

The table below presents taxable sales for the years 2013 through the third quarter of 2019<sup>(1)</sup> for the County.

**TAXABLE SALES**  
**County of San Bernardino**  
**2013-2019<sup>(1)</sup>**  
**(Dollars in Thousands)**

<i>Year</i>	<i>Permits</i>	<i>Taxable Transactions</i>
2013	46,632	\$31,177,822
2014	48,349	33,055,967
2015 <sup>(1)</sup>	56,128	35,580,275
2016	57,629	37,216,551
2017	58,956	38,399,372
2018	61,838	40,554,023
2019	64,771	41,770,308

<sup>(1)</sup> Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

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

## APPENDIX H

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

*Upon the issuance of the Bonds, the Successor Agency proposes to enter into a Continuing Disclosure Certificate in substantially the following form:*

\$ \_\_\_\_\_  
**APPLE VALLEY PUBLIC FINANCING AUTHORITY  
TAX ALLOCATION REVENUE REFUNDING BONDS  
(APPLE VALLEY REDEVELOPMENT PROJECT AREAS)  
SERIES 2020A**

### CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this “Disclosure Certificate”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the Town of Apple Valley (the “Successor Agency”) in connection with the execution and delivery of the above-referenced bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust dated as of \_\_\_\_\_ 1, 2020 (the “Indenture”), by and between the Apple Valley Public Financing Authority and U.S. Bank National Association, as trustee.

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30).

“*Dissemination Agent*” means, initially, U.S. Bank National Association, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Successor Agency in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

### Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2021 with the report for the 2019-20 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Successor Agency’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency hereunder.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency shall provide (or cause the Dissemination Agent to provide) in a timely manner to the

MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

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

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

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

(a) The Successor Agency's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Successor Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Successor Agency for the most recently-completed fiscal year (unless otherwise noted below), substantially similar to that provided in the corresponding tables in the Official Statement:

(i) Principal amount of Bonds outstanding.

(ii) Description of issuance by the Successor Agency of any debt payable from or secured by a pledge of Tax Revenues in the Project Areas (as defined in the Official Statement) in the most recently completed fiscal year (including details as to date, amount, term, rating, and insurance).

(iii) The total assessed value and incremental value of property in each of the Project Areas and other information set forth in Tables 1 and 2 in the Official Statement, for the then-current Fiscal Year, to the extent that data is available from the County Auditor-Controller and VVEDA Technical Advisory Committee.

(iv) The ten largest local secured property taxpayers in each of the Project Areas in the form of Tables 3 and 4 in the Official Statement.

(v) The amount of Tax Revenues generated in Project Area No. 2 and the VVEDA Project Area in the most recently-completed Fiscal Year and the coverage ratio

provided by such Tax Revenues with respect to Project Area No. 2 Loan Payments and Apple Valley-VVEDA Loan Payments (defined in the Indenture) and any Parity Debt, in the form of Tables 12 and 13, in the Official Statement, without any requirement to update any projected Pledged Tax Revenues set forth in such tables.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Successor Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Successor Agency shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
- (7) Modifications to rights of Bond holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.



- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the Successor Agency or an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Successor Agency or an obligated person, any of which affect Bond holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Successor Agency or an obligated person, any of which reflect financial difficulties.

(b) Whenever the Successor Agency obtains knowledge of the occurrence of a Listed Event, the Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of a Listed Event described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency will as soon as possible determine if such event would be material under applicable federal securities law. If such

event is determined to be material, the Successor Agency will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Successor Agency in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

(e) For purposes of the events identified in paragraphs (a)(15) and (a)(16) above, the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

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

Section 7. Termination of Reporting Obligation. The Successor 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 Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. Any Dissemination Agent may resign by providing 30 days’ written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from

a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report 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 Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

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

Section 11. Default. If the Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including

seeking mandate or specific performance by court order, to cause the Successor 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 Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Dated: \_\_\_\_\_, 2020

SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE TOWN  
OF APPLE VALLEY

By: \_\_\_\_\_  
Town Manager of the Town of Apple Valley

AGREED AND ACCEPTED:

U.S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent

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

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Apple Valley Public Financing Authority

Name of Issue: Apple Valley Public Financing Authority Tax Allocation Revenue Refunding Bonds (Apple Valley Redevelopment Project Areas), Series 2020A

Date of Issuance: \_\_\_\_\_, 2020

NOTICE IS HEREBY GIVEN that the Successor Agency to the Redevelopment Agency of the Town of Apple Valley has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of \_\_\_\_\_, 2020. The Successor Agency anticipates that the Annual Report will be filed by \_\_\_\_\_.

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

DISSEMINATION AGENT:

\_\_\_\_\_

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

Its: \_\_\_\_\_

**APPENDIX I**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**