PRELIMINARY OFFICIAL STATEMENT DATED [_________, 2017]

NEW ISSUE—BOOK-ENTRY **RATING: S&P: "__"**
See "CONCLUDING INFORMATION – Rating"

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, interest and received by the owners of the 2017 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest on the 2017 Bonds is exempt from California personal income taxes. See "TAX MATTERS."

$____________*
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
2017 SUBORDINATE TAX ALLOCATION REFUNDING BONDS

Dated: Delivery Date **Due: September 1, as shown on the inside front cover**

Purpose. The above-captioned bonds (the "2017 Bonds") are being issued by the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs (the "Successor Agency"), as successor to the former Redevelopment Agency of the City of Desert Hot Springs (the "Former Agency"), pursuant to an Indenture of Trust, dated as of June 1, 2017 (the "Indenture"), by and between the Successor Agency and Wilmington Trust, N.A., as trustee (the "Trustee"), to refund certain outstanding obligations of the Successor Agency as more particularly described in this Official Statement.

Book-Entry. The 2017 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in 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 2017 Bonds.

Payments. Semiannual interest on the 2017 Bonds due March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing September 1, 2017, and principal on the 2017 Bonds due September 1 of each year, commencing September 1, 2017, will be payable by the Trustee to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2017 Bonds. See "THE 2017 BONDS – Description of the 2017 Bonds."

Redemption. The 2017 Bonds are subject to optional redemption and mandatory sinking account redemption prior to maturity. See "THE 2017 BONDS – Redemption."

Security. The 2017 Bonds are secured by a pledge of, security interest in and lien on all of the Tax Revenues (as defined in this Official Statement), including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund (as defined in this Official Statement). In addition, the 2017 Bonds are payable from and secured by moneys in certain funds and accounts established under the Indenture. See "SECURITY FOR THE 2017 BONDS."

Existing Senior Debt. The payment of principal of and interest on the 2017 Bonds is subordinate to the payment of the Senior Obligations (as defined in this Official statement), currently outstanding in the aggregate principal amount of approximately $11,815,000. See "THE 2017 BONDS – Existing Senior Debt."

No Future Senior Debt; Future Parity Debt. The Indenture prohibits the Successor Agency from encumbering, pledging or placing any charge or lien upon any of the Tax Revenues or other amounts pledged to the 2017 Bonds superior to the pledge and lien created for the benefit of the 2017 Bonds in the Indenture. The Indenture authorizes the Successor Agency to issue bonds, notes or other obligations that are payable from and secured by a lien on Tax Revenues that is on a parity with the 2017 Bonds only to refund all or a portion of the 2017 Bonds, the Senior Obligations or other bonds issued in the future on a parity therewith subject to satisfaction of certain conditions as further described in this Official Statement. See "THE 2017 BONDS – No Future Senior Debt; Future Parity and Subordinate Debt."

Insurance Policy or Reserve Policy. The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve policy and will decide whether to purchase such policies in connection with the pricing of the 2017 Bonds.

Limited Obligations. The 2017 Bonds are limited obligations of the Successor Agency and are secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and other funds described in this Official Statement. The principal of and interest on the 2017 Bonds are not a debt of the City of Desert Hot Springs (the "City"), the County of Riverside (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2017 Bonds is not payable out of any funds other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the City Council of the City, the Board of Supervisors of the County nor any persons executing the 2017 Bonds are liable personally on the 2017 Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2017 Bonds. Investors must 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 in this Official Statement. See "RISK FACTORS."

The 2017 Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Certain legal matters will be passed upon for the Successor Agency by Nixon Peabody LLP, Los Angeles, California, as Disclosure Counsel to the Successor Agency. In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City, as general counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth a Professional Corporation, Newport Beach, California, as Underwriter's Counsel. It is anticipated that the 2017 Bonds will be available for delivery through the facilities of DTC on or about ________, 2017.

The date of this Official Statement is ___________, 2017.

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* *Preliminary, subject to change.*

MATURITY SCHEDULE*

$______________*
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
2017 SUBORDINATE TAX ALLOCATION REFUNDING BONDS

Maturity Date (September 1)	Principal Amount*	Interest Rate	Yield	Price	CUSIP† (Base _____)

$_________ __% Term Bonds Due September 1, 20__, Yield ___%,
Price: _____, CUSIP† _____

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* *Preliminary; subject to change*.

† Copyright 2017, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. Neither the Successor Agency nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS

CITY COUNCIL/
SUCCESSOR AGENCY BOARD

Scott Matas, *Mayor*
Joe McKee, *Mayor Pro-Tem*
Russell Betts, *Council Member*
Anayeli Zavala, *Council Member*
Yvonne Parks, *Council Member*

CITY/
SUCCESSOR AGENCY STAFF

Chuck Maynard, Executive Director/City Manager
Joe Tanner, Treasurer/Administrative Services Director
Jerryl Soriano, CMC, Secretary/City Clerk
Jennifer Mizrahi, Successor Agency Counsel/City Attorney

SPECIAL SERVICES

Municipal Advisor and Fiscal Consultant
Urban Futures, Inc.
Tustin, California

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

Disclosure Counsel
Nixon Peabody LLP
Los Angeles, California

Trustee
Wilmington Trust, N.A.
Costa Mesa, California

Verification Agent
Causey, Demgen & Moore P.C.

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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 to give any information or to make any representations with respect to the 2017 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 authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the 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.

Effective Date. 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 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Area since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2017 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2017 Bonds.

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.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the 2017 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the 2017 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2017 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" as described in the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE SUCCESSOR AGENCY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

OFFICIAL STATEMENT

$______________[*]
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
2017 SUBORDINATE TAX ALLOCATION REFUNDING BONDS

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs (the "**Successor Agency**") of the above-captioned bonds (the "**2017 Bonds**").

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement including the cover page and the appendices hereto, and the documents summarized or described herein. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision. The offering of the 2017 Bonds to potential investors is made only by means of the entire Official Statement.

Authority and Use of Proceeds

The Successor Agency is issuing the 2017 Bonds pursuant to authority granted by the Constitution of the State of California (the "**State**"), Section 34177.5 of the Health and Safety Code of the State, Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the "**Refunding Law**") and an Indenture of Trust dated as of June 1, 2017 (the "**Indenture**"), between the Successor Agency and Wilmington Trust, N.A., as trustee (the "**Trustee**"). See "THE 2017 BONDS – Authority for Issuance."

The Successor Agency is issuing the 2017 Bonds to redeem and defease all amounts outstanding under the following three series of bonds issued by the former Redevelopment Agency of the City of Desert Hot Springs (the "**Former Agency**"):

- $7,025,000 original principal amount Redevelopment Agency of the City of Desert Hot Springs Merged Redevelopment Project Tax Allocation Refunding Bonds, Series 2006 (the "2006 Bonds"), which are outstanding in the aggregate principal amount of $2,025,000;

- $15,870,000 original principal amount Redevelopment Agency of the City of Desert Hot Springs Merged Redevelopment Project Tax Allocation Bonds, Series 2008A-2 (the "**2008A-2 Bonds**"), which are outstanding in the aggregate principal amount of $15,870,000;

[*] Preliminary, subject to change.

- $5,635,000 original principal amount Redevelopment Agency of the City of Desert Hot Springs Merged Redevelopment Project Tax Allocation Bonds, Issue of 2009 (the "2009 Bonds"), which are outstanding in the aggregate principal amount of $4,945,000;

The 2006 Bonds, the 2008 A-2 Bonds and the 2009 Bonds are referred to collectively in this Official Statement as, the "**Refunded Bonds**."

The remaining proceeds of the 2017 Bonds will be used to (i) fund a debt service reserve account for the 2017 Bonds by depositing in such account an amount equal to the Reserve Requirement (as hereinafter defined) or to pay the premium of a debt service reserve policy for the 2017 Bonds and (ii) pay the costs of issuing the 2017 Bonds.

The City and the Successor Agency

The City. The City of Desert Hot Springs, California (the "City"), is located in Riverside County, California (the "County"), approximately 110 miles east of the City of Los Angeles. The City was incorporated in 1963 and operates as a charter city with a council-manager form of government. The members of the City Council of the City (the "**City Council**") are elected at-large for staggered four-year terms. The Mayor is directly elected by the citizens of the City and serves a two-year term. The other four members rotate the position of Mayor Pro-Tem on an annual basis. For certain information regarding the City, see "APPENDIX F – City of Deserts Hot Springs and Riverside County General Information."

Former Agency. The Successor Agency is the successor entity to the Former Agency, which was dissolved under the Dissolution Act (described herein). The Former Agency was a redevelopment agency with all of the powers vested in such organizations under the Community Redevelopment Law (as amended or supplemented from time to time, the "**Redevelopment Law**"). The City Council was the governing board of the Former Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 ("**AB X1 26**") was enacted, together with a companion bill, Assembly Bill No. 27 ("**AB X1 27**"). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.,* 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. The California 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 California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, 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 enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California Health and 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 No. 107 ("**SB 107**"), enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85, as amended from time to time, including by AB 1484 and SB 107, are referred to in this Official Statement as the "**Dissolution Act**." The Redevelopment Law together with the Dissolution Act and the acts amendatory thereof and supplemental thereto are sometimes referred to in this Official Statement as, the "**Law**."

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to 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 and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Redevelopment Plan and the Project Area

Redevelopment Plan. The Redevelopment Plan for the Desert Hot Springs Redevelopment Project No. 1 ("Project Area No. 1") was adopted by the City by Ordinance No. 82-3 on July 14, 1982 ("Plan No. 1"). The Redevelopment Plan for the Desert Hot Springs Redevelopment Project No. 2 ("Project Area No. 2") was adopted by the City by Ordinance No. 84-17 on November 30, 1984 ("Plan No. 2" and, with Plan No. 1, the "Original Plans"). Amendment No. One to Plan No. 1 and Plan No. 2 (the "Merged Plan") was adopted by Ordinance No. 1997-09 on December 16, 1997, and merged Plan No. 1 and Plan No. 2. The Merged Plan also added additional territory (the "Added Territory") to the boundaries of Project Area No. 1 and Project Area No. 2 (collectively, the "Original Project Area"), amended certain fiscal and time limits and reinstated and amended eminent domain provisions previously set forth in the Original Plans. The Original Project Area and the Added Territory are collectively referred to herein as the "Project Area." The Merged Plan incorporates all of the key provisions of the Original Plans.

The Project Area encompasses approximately 3,149 acres (928 acres in Project Area No. 1, 587 acres in Project Area No. 2 and 1,634 acres in the Added Territory), or approximately 21% of the total incorporated area of the City. See "THE PROJECT AREA" herein.

The 2017 Bonds are secured solely by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund, and moneys in certain funds and accounts established and held by the Trustee under the Indenture as described in this Official Statement.

See "THE PROJECT AREA" for additional information on land use and property ownership within the Project Area. Set forth on the next page is a map of the Project Area.

[Insert Project Area Map]

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues, and the Riverside County Auditor-Controller (the "**County Auditor-Controller**") apportioned tax increment revenue to all redevelopment agencies as described in the Redevelopment Law. 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 adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies receiving property taxes thereafter received only 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 of property taxes 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.

Authority to Issue Refunding Bonds

Section 34177.5(a)(1) of the Dissolution Act authorizes the issuance of refunding bonds to provide debt service savings, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See "RISK FACTORS."

Security for the 2017 Bonds

The 2017 Bonds are secured only by a pledge of, security interest in and lien on, all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund, and a first and exclusive pledge of, security interest in and lien upon all of the moneys in the certain funds and accounts established and held by the Trustee under the Indenture, as further described in this Official Statement. See "Limited Obligation" below.

The Dissolution Act requires the County Auditor-Controller to annually determine the amount of property taxes that would have been allocated to the Former Agency from the Project Area had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20 of each year, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the "**Redevelopment Property Tax Trust Fund**") pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and 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 Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE

2017 BONDS – Recognized Obligation Payment Schedules") and shall be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund.

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2017 Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Under the Dissolution Act, property tax revenues are distributed to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the "**Oversight Board**") and the State Department of Finance (the "**DOF**"). Pursuant to SB 107, the functions of the Oversight Board will be assumed by an oversight board established for all successor agencies within the County commencing on July 1, 2018. The County Auditor-Controller distributes funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "SECURITY FOR THE 2017 BONDS – Recognized Obligation Payment Schedules."

In accordance with the Dissolution Act, the term "**Tax Revenues**" is defined under the Indenture to mean, for each Fiscal Year, all moneys derived from that portion of taxes levied upon assessable property within the Project Area deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law, excluding (i) for the Senior Obligations (as defined below), the amount pledged under the indenture pursuant to which the Senior Obligations were issued (the "Senior Obligation Indenture") to make payments on such Senior Obligation, but only to the extent required to make such payments and (ii) amounts, if any, payable by the Successor Agency pursuant to Sections 33676, 33607.5, 33607.7 and 34183(a)(1) of the Law, including amounts payable under the Pass-Through Agreements, except to the extent that such amounts are payable on a basis subordinate to the payment of Annual Debt Service on the 2017 Bonds or any Parity Debt pursuant to Sections 33607.5(e) and 34177.5(c) of the Law or pursuant to the terms of the Pass-Through Agreements, as applicable. None of the amounts payable under the Pass-Through Agreements have been subordinated to the payment of debt service on the 2017 Bonds. Furthermore, the Successor Agency is not subject to payments to schools and other affected taxing agencies pursuant to Section 33676 of the Law.

The Indenture defines "**Redevelopment Obligation Retirement Fund**" to mean the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the Law.

See "SECURITY FOR THE 2017 BONDS – Negotiated Pass-Through Agreements," and "– Statutory Pass-Through Payments" for information regarding the Successor Agency's negotiated and statutory pass-through obligations.

Existing Senior Debt

The payment of debt service on the 2017 Bonds is subordinate to the payment of debt service on the Former Agency's $19,965,000 original amount of Redevelopment Agency of the City of Desert Hot Springs Merged Redevelopment Project Tax Allocation Bonds, Series 2008A-1 (Taxable) (the "**Senior Obligations**") which are outstanding in the aggregate principal amount of $11,815,000.

See “THE 2017 BONDS – Existing Senior Debt.”

No Future Senior Debt; Future Parity and Subordinate Debt

No Future Senior Debt. The Indenture prohibits the Successor Agency from encumbering, pledging or placing any charge or lien upon any of the Tax Revenues or other amounts pledged to the 2017 Bonds superior to the pledge and lien created for the benefit of the 2017 Bonds in the Indenture.

See “THE 2017 BONDS – No Future Senior Debt; Future Parity and Subordinate Debt.”

Future Parity and Subordinated Debt. The Indenture authorizes the Successor Agency to issue additional bonds, notes or other obligations payable from and secured by a lien on Tax Revenues that is on parity with the lien under the Indenture (such bonds, notes or other obligations referred to herein as, “**Parity Debt**”) to refund all or a portion of the 2017 Bonds, the Senior Obligations or future parity debt subject to certain conditions. See “THE 2017 BONDS – No Future Senior Debt; Future Parity and Subordinate Debt.”

The Indenture permits the Successor Agency to issue Subordinate Debt (as hereinafter defined).

See “THE 2017 BONDS – No Future Senior Debt; Future Parity and Subordinate Debt.”

Limited Obligation

The 2017 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from, Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and moneys in certain funds and accounts established and held by the Trustee under the Indenture. The principal of and interest on the 2017 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency are liable thereon. The principal of and interest on the 2017 Bonds are not payable out of any funds other than those set forth in the Indenture. No member, officer, agent or employee of the City, the County, the Successor Agency, the Oversight Board, the City Council, the Board of Supervisors of the County or any person executing the 2017 Bonds is liable personally on the 2017 Bonds by reason of their issuance.

Debt Service Reserve Account

A portion of the proceeds of the 2017 Bonds will fund a deposit of $______ to satisfy the “**Reserve Requirement**” (as hereinafter defined); in the alternative, the Reserve Requirement may be met with the deposit of a debt service reserve policy. See “SECURITY FOR THE 2017 BONDS – Debt Service Reserve Account.”

Application for Bond Insurance and Reserve Policy

The Successor Agency has applied for a municipal bond insurance policy for the 2017 Bonds and for a debt service reserve policy. Should the Successor Agency select a provider for any such policies, then the Successor Agency will supplement this Official Statement prior to the offering of the 2017 Bonds, to reflect the terms of any commitment to issue such policies.

Professionals Involved in the Offering

Urban Futures, Inc., Tustin, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the taxable values within the Project Area and tax increment revenues from the Project Area projected to be available to pay debt service on the 2017 Bonds as described in this Official Statement. The report prepared by the Fiscal Consultant is referred to herein as the "**Fiscal Consultant's Report**" and is attached as Appendix G.

Urban Futures, Inc., Tustin, California, has also acted as municipal advisor to the Successor Agency (the "**Municipal Advisor**").

Wilmington Trust, N.A., Costa Mesa, Calfiornia, will act as Trustee with respect to the 2017 Bonds.

Stifel, Nicolaus & Company, Incorporated (the "**Underwriter**") is underwriting the 2017 Bonds.

All proceedings in connection with the issuance of the 2017 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Nixon Peabody LLP, Los Angeles, California, is acting as Disclosure Counsel. The City Attorney of the City, as general counsel to the Successor Agency, will render certain opinions on behalf of the Successor Agency. Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Underwriter's Counsel. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Underwriter's Counsel is contingent upon the sale and delivery of the 2017 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2017 Bonds, the Indenture, the Successor Agency, the Former Agency, the Redevelopment Plan, the Project Area, the City and the County are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2017 Bonds, the Indenture, the Redevelopment Plan, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Successor Agency and the City are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2017 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used and not otherwise defined in this Official Statement shall have the meanings given to such terms in the Indenture.

During the period of the initial offering of the 2017 Bonds, copies of the draft forms of all documents are available from the Underwriter or from the City Clerk, City of Deserts Hot Springs, 65950 Pierson Blvd., Desert Hot Springs, California 92240.

REFUNDING PLAN

Redemption of the Refunded Bonds

The 2017 Bonds are being issued to effect a refunding and defeasance of the Refunded Bonds. The anticipated redemption dates of the Refunded Bonds are set forth as follows:

Refunded Bonds	Redemption Date
2006 Bonds	Any Date
2008-A Bonds	September 1, 2018
2009 Bonds	September 1, 2019

Pursuant to the Escrow Agreement (the "**Escrow Agreement**"), by and between the Successor Agency and Wells Fargo Bank National Association, as escrow agent (in such capacity, the "**Escrow Agent**"), the Successor Agency will deliver a portion of the proceeds of the 2017 Bonds, along with other available amounts, to the Escrow Agent for deposit in an escrow fund established under the Escrow Agreement (the "**Escrow Fund**").

The Escrow Agent will invest a portion of the funds in government securities and will hold the remainder in cash, uninvested. From the moneys on deposit in the Escrow Fund, the Escrow Agent will pay, within thirty days of delivery of the 2017 Bonds, the outstanding principal amount of all of the Refunded Bonds and the accrued interest thereon to the date of repayment.

Under the terms of the indentures relating to the Refunded Bonds, all of the outstanding Refunded Bonds will be deemed to be paid and discharged by irrevocably depositing with the trustee thereof, in trust, at or before maturity, money and certain government securities permitted under the respective indentures relating to the Refunded Bonds, which, together with the available amounts then on deposit in the funds and accounts established pursuant to such indenture, is determined by independent account to be fully sufficient to pay all or such portion of such bonds outstanding, including all principal, interest and redemption premiums.

The amounts held by the Escrow Agent in the Escrow Fund are pledged solely to the amounts due and payable by the Successor Agency with respect to the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the 2017 Bonds.

Verification of Mathematical Accuracy

Causey Demgen & Moore P.C. (the "**Verification Agent**"), will verify the sufficiency of the deposits in the Escrow Fund for the purposes described above. Assuming the accuracy of the Verification Agent's computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Successor Agency's obligations with respect to the Refunded Bonds will be discharged.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

Sources:	
Principal Amount of 2017 Bonds	$
Plus: Refunded Bonds - Available Funds	
Plus: Net Original Issue Premium/*Less*: Net Original Issue Discount	
Total Sources	$
Uses:	
Refunding of Refunded Bonds	$
[Reserve Account]	
Costs of Issuance Fund (1)	
Underwriter's Discount	
Total Uses	$

(1) Costs of Issuance include the fees and expenses for Bond Counsel, Disclosure Counsel, Fiscal Consultant, Municipal Advisor, Verification Agent, Trustee, premiums for the municipal bond insurance and the debt service reserve policies, if any, Successor Agency administrative staff, City Attorney as general counsel to the Successor Agency, printing expenses, rating fee and other costs related to the issuance of the 2017 Bonds.

Debt Service Schedules

2017 Bonds Debt Service. The following table shows the annualized debt service schedule for the 2017 Bonds, assuming no optional redemption of the 2017 Bonds.

Bond Year Ending September 1	2017 Bonds Principal	2017 Bonds Interest	Total Debt Service
Total			

4822-5873-7221.5

Aggregate Debt Service*.* The following table shows the annualized combined debt service schedule for the 2017 Bonds and Senior Obligations, assuming no optional redemptions.

Bond Year Ending September 1	2008A-1 Bonds Debt Service	2017 Bonds Debt Service	Total Debt Service
Total			

4822-5873-7221.5

THE 2017 BONDS

Authority for Issuance

The issuance of the 2017 Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. SA-2017-[_____] adopted on [________, 2017] (the "**Resolution**"), and approved by the Oversight Board pursuant to Resolution No. OB-2017-[__] adopted on [_______], 2017 (the "**Oversight Board Resolution**").

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF. On [_________], 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 Resolution approving the 2017 Bonds is approved by the DOF.

Section 34177.5(f) of the Dissolution Act provides that when, as in this case, a successor agency issues refunding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the 2017 Bonds, and the scheduled payments on the 2017 Bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the DOF or the California State Controller.

Description of the 2017 Bonds

The 2017 Bonds will be issued and delivered in fully-registered form without coupons in integral multiples of $5,000 for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York, as registered owner of all 2017 Bonds. The initially executed and delivered 2017 Bonds will be dated the date of delivery (the "**Closing Date**") and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2017 Bonds (including the final interest payment upon maturity or earlier redemption) will be payable on March 1 and September 1 in each year commencing September 1, 2017 (each an, "**Interest Payment Date**") to the person whose name appears on the records maintained by the Trustee for the registration and transfer of ownership of the 2017 Bonds pursuant to the Indenture (the "**Registration Books**") as the owner thereof as of the Record Date immediately preceding each such Interest Payment Date, by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such owner at the address of such owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017 Bonds in the aggregate principal amount of $1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. The Indenture defines the term "**Record Date**" to mean, with respect to any Interest Payment Date, the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth calendar day is a Business Day.

Each 2017 Bond will bear interest from the Interest Payment Date next preceding the date of authentication, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2017 Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any 2017 Bond, interest thereon is in default, such 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

One fully-registered bond will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

Redemption*

Optional Redemption. The 2017 Bonds maturing on or before September 1, 20__ are not subject to optional redemption prior to maturity. The 2017 Bonds maturing on and after September 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after September 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The 2017 Bonds that are Term Bonds maturing September 1, 20__ and September 1, 20__ (the "**Term Bonds**") shall be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year, commencing on September 1 in the years as set forth below, from sinking fund payments made by the Successor Agency, to 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 September 1 in the respective years as set forth in the following tables; provided however, that (i) in lieu of redemption thereof such Term Bonds may be purchased by the Successor Agency pursuant to the Indenture, and (ii) if some but not all of such Term Bonds have been optionally redeemed, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of $5,000 as determined by the Successor Agency.

Term Bonds Maturing September 1, 20__

Sinking Account Redemption Date (September 1)	Principal Amount To Be Redeemed

Term Bonds Maturing September 1, 20__

Sinking Account Redemption Date (September 1)	Principal Amount To Be Redeemed

* Preliminary, subject to change.

4822-5873-7221.5

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds as described above, amounts on deposit in the Debt Service Fund or in the Principal Account may also be used and withdrawn by the Successor Agency and the Trustee, respectively, at any time, upon the written request of the Successor Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Successor Agency in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed on September 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said June 1.

Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least thirty but not more than sixty days prior to the redemption date, to (i) to the Owners of any 2017 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2017 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that optional redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the 2017 Bonds to be redeemed, shall state the individual number of each 2017 Bond to be redeemed or shall state that all 2017 Bonds between two stated numbers (both inclusive) or all of the 2017 Bonds Outstanding are to be redeemed, and shall require that such 2017 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 2017 Bonds will not accrue from and after the redemption date.

Right to Rescind Notice. The Successor Agency has the right to rescind any notice of the optional redemption of 2017 Bonds by written notice to the Trustee on or prior to the date fixed for redemption, and the redemption notice may provide that the proposed redemption is subject to the availability of sufficient funds on the scheduled redemption date. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2017 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2017 Bonds being redeemed with the proceeds of such check or other transfer.

Manner of Redemption. Whenever any 2017 Bonds or portions thereof are to be selected for redemption by lot within a maturity, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent 2017 Bonds are no longer held in book-entry form. All 2017 Bonds redeemed or purchased pursuant to the Indenture shall be cancelled and destroyed.

Partial Redemption of 2017 Bonds. In the event only a portion of any 2017 Bond is called for redemption, then upon surrender of such 2017 Bond the Successor Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2017 Bond or 2017 Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2017 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2017 Bonds so called for redemption have been duly deposited with the Trustee, the 2017 Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any 2017 Bonds or portions thereof are to be selected for redemption by lot within a maturity, the Trustee will make the selection, in such manner as the Trustee deems appropriate.

Existing Senior Debt

The payment of debt service on the 2017 Bonds is subordinate to the payment of debt service on the Senior Obligations. The Senior Obligations are currently outstanding in the aggregate principal amount of $11,815,000.

No Future Senior Debt; Future Parity and Subordinate Debt

No Future Senior Debt. The Indenture prohibits the Successor Agency from encumbering, pledging or placing any charge or lien upon any of the Tax Revenues or other amounts pledged to the 2017 Bonds superior to the pledge and lien created for the benefit of the 2017 Bonds in the Indenture.

Future Parity Debt*.* The Indenture authorizes the Successor Agency to issue Parity Debt to refund all or a portion of the 2017 Bonds, the Senior Obligations or any Parity Debt provided that with respect to any such refunding:

(i) debt service on such Parity Debt, as applicable, is lower than debt service on the obligations being refunded during the remaining period the obligations would otherwise be outstanding,

(ii) the final maturity of any such Parity Debt does not exceed the final maturity of the obligations being refunded,

(iii) the interest rate on the Parity Debt shall be fixed on the date of issuance of the Parity Debt, and

(iv) principal payments shall be on September 1 and interest payments on September 1 and March 1.

The 2017 Bonds and Parity Debt are sometimes referred to herein collectively as, the "**Bonds**"

Future Subordinate Debt. The Indenture permits the Successor Agency to issue and sell any loan, advances or indebtedness issued or incurred by the Successor Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, including revenue bonds and other debts and obligations scheduled for payment pursuant to Section 34183(a)(2) of the Law; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the 2017 Bonds (such loan, advances or indebtedness, "**Subordinate Debt**").

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency 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 that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the 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 "SECURITY FOR THE 2017 BONDS – Recognized Obligation Payment Schedules").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency 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, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2017 Bonds, 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.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, if any, 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 the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the

Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, if any (the "**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 Redevelopment 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, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the Redevelopment Plan, following the date of issuance of the 2017 Bonds, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former 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, constitute the amounts 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 from paragraph (b) above. Additionally, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund. See "PROPERTY TAXATION IN CALIFORNIA – Proposition 87" for further information regarding voter approved debt service overrides.

SECURITY FOR THE 2017 BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Dissolution Act, including *inter alia* Health and Safety Code sections 34183 and 34170.5(b). The 2017 Bonds and any Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund or in the Special Fund (if applicable), and a first and exclusive pledge of, security interest in and lien upon moneys in certain funds and accounts established and held by the Trustee under the Indenture as described below.

Pledge Under the Indenture

Pursuant to the Indenture, the 2017 Bonds and any Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund, and by a first and exclusive pledge and lien upon all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account) without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The 2017 Bonds and any Parity Debt are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account established under the Indenture. The 2017 Bonds and any Parity Debt are also equally secured by the pledge and lien created with respect to the 2017 Bonds and any Parity Debt by Section 34177.5(g) of the Law on the Tax Revenues deposited or available for deposit from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017 Bonds.

The Indenture further provides that, in consideration of the acceptance of the 2017 Bonds by those who shall hold the same from time to time, the Indenture shall be deemed to be and shall constitute a contract between the Successor Agency and the Owners from time to time of the 2017 Bonds, and the covenants and agreements therein set forth to be performed on behalf of the Successor Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the 2017 Bonds without preference, priority or distinction as to security or otherwise of any of the 2017 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Tax Revenues

Definition. "**Tax Revenues**" is defined in the Indenture to mean, for each Fiscal Year, all moneys derived from that portion of taxes levied upon assessable property within the Project Area deposited from time to time in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Law, excluding (i) for the Senior Obligations, the amount pledged under the Senior Obligation Indenture to make payments on such Senior Obligation, but only to the extent required to make such payments and (ii) amounts if any, payable by the Successor Agency pursuant to Sections 33676, 33607.5, 33607.7 and 34183(a)(1) of the Law, including amounts payable under the Pass-Through Agreements, except to the extent that such amounts are payable on a basis subordinate to the payment of Annual Debt Service on the 2017 Bonds or any Parity Debt pursuant to Sections 33607.5(e) and 34177.5(c) of the Law or pursuant to the terms of the Pass-Through Agreements, as applicable.

Housing Set-Aside. Before it was amended by the Dissolution Act, the Redevelopment Law required the Former Agency to set aside not less than 20% of all tax increment generated in the Project Area into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as "Housing Set-Aside."

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that will be payable from Housing Set-Aside after the issuance of the 2017 Bonds, the former Housing Set-Aside is available to pay debt service on the 2017 Bonds; the projection of tax increment revenues from the Project Area available to pay debt service prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREA – Projected Tax Increment Revenues and Estimated Debt Service Coverage," assumes the availability of the former Housing Set-Aside for this purpose.

Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund. The Indenture provides that the Successor Agency shall deposit all of the Tax Revenues into the Redevelopment Obligation Retirement Fund promptly upon receipt. All Tax Revenues received by the Successor Agency in excess of the amounts required to pay debt service on the 2017 Bonds during the applicable period or as additionally required pursuant to a Supplemental Indenture or authorizing document for Parity Debt, and except as may be provided to the contrary in any Senior Obligation Indenture or Parity Debt Instrument, shall be released from the pledge and lien under the Indenture and shall be applied in accordance with the Redevelopment Law, 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 2017 Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Deposit of Amounts by Trustee. A trust fund to be known as the Debt Service Fund, will be established and held in trust by the Trustee under the Indenture. Concurrently with making transfers with respect to Parity Debt, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

> Interest Account. On or before the fifth Business Day preceding each Interest Payment Date, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee, for deposit in the Interest Account an amount which, when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable.
>
> Principal Account. On or before the fifth Business Day preceding each September 1 on which the principal of the Bonds (including any mandatory sinking account payment due with respect to a Term Bond) becomes due and payable, and at maturity, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal (including any mandatory sinking account payment due with respect to a Term Bond) coming due and payable on such date on the Bonds. No such deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal (including any mandatory sinking account payment due with respect to a Term Bond) to become due on the next September 1 on all of the

Outstanding Bonds and any Parity Debt. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds and any Parity Debt (including any mandatory sinking account payment due with respect to a Term Bond) as it shall become due and payable.

Reserve Account. Within the Debt Service Fund there will be established a separate account known as the "Reserve Account" solely as security for payments payable by the Successor Agency pursuant to the Indenture, which shall be held by the Trustee in trust for the benefit of the Owners of the 2017 Bonds. See "Debt Service Reserve Account" below.

[If the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Successor Agency of such fact. Upon receipt of any such notice and as promptly as is permitted by the Redevelopment Law, the Successor Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.]

Debt Service Reserve Account

Definition of Reserve Requirement. The Indenture defines "**Reserve Requirement**" to mean, with respect to the 2017 Bonds, the lesser of (i) 10% of the original aggregate principal amount of the 2017 Bonds (if there is more than a de minimis amount of original issue discount or premium (as defined in the Code), the issue price shall be used instead of principal amount) or (ii) 125% of the average Annual Debt Service with respect to the 2017 Bonds or (iii) Maximum Annual Debt Service with respect to the 2017 Bonds. The Reserve Requirement for the 2017 Bonds may be met with the deposit of a debt service reserve policy.

All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Bonds then Outstanding.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. The Dissolution Act requires successor agencies to prepare, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Commencing on February 1, 2016, successor agencies were transitioned to an annual Recognized Obligation Payment Schedule process pursuant to which successor agencies are required to file Recognized Obligation Payment Schedules with the DOF and the County Auditor-Controller for approval on or before each February 1 for the July 1 through June 30 period immediately following such February 1.

In addition, commencing on September 22, 2015, successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, may at their option, file a "Last and Final" Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized

Obligation Payment Schedule will be binding on all parties, and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the DOF or the Oversight Board. The county auditor-controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid. A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the County Auditor-Controller. The Successor Agency currently has no plans to file a Last and Final Recognized Obligation Payment Schedule.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule*.* As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides (including the Reserve Account), and any other payments required under the Indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor 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, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a 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.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund*.* Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

(i) first, subject to certain adjustments (as described below) for subordinations to the extent permitted under the Dissolution Act and no later than each January 2 and June 1, to each local taxing agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations (see "– Negotiated Pass-Through Agreements" and "Statutory Pass-Through Payments" below);

(ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments (and amounts required to replenish the related reserve funds, if any) scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for statutory pass-through obligations to the taxing entities on each January 2 and June 1 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, unless: (i) pass-through payment obligations have 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 applicable 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 Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

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 on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). 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 Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated negotiated pass-through agreements, if any, 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 payments subordinate to the 2017 Bonds. The Successor Agency has undertaken the requisite procedures to obtain subordination of the Statutory Pass-Through Amounts and, therefore, amounts due as Statutory Pass-Through Amounts are junior in payment priority to the 2017 Bonds, subject to compliance with the procedures set forth in the Dissolution Act. However, amounts payable under the Pass-Through Agreements (as hereinafter defined) are payable on a senior basis to the payment of the 2017 Bonds as described below. See "SECURITY FOR THE 2017 BONDS — Negotiated Pass-Through Agreements" and "– Statutory Pass-Through Payments."

The Statutory Pass-Through Amounts have not been subordinated to the debt service on the Senior Obligations. In the event the Agency's Redevelopment Property Tax Trust Fund moneys are insufficient to pay the debt service on the Senior Obligations, debt service on the 2017 Bonds and the Statutory Pass-Through Amounts, then the Statutory Pass-Through

Amounts would be available to pay debt service on the 2017 Bonds, up to the amount of the deficiency of Tax Revenues to pay debt service on the 2017 Bonds. The Successor Agency has covenanted to take such actions as are necessary under the Dissolution Act to ensure that the Statutory Pass-Through Amounts are made available in the event of such deficiency. The Successor Agency cannot ensure that the County Auditor-Controller will implement the subordination of the Statutory Pass-Through Amounts as described above.

Sources of Payments for Enforceable Obligations*.* 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 former low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than $250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent 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 redevelopment agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

Relevant Covenant by the Successor Agency*.* In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Law. In particular, the Successor Agency covenants in the Indenture to, pursuant to Section 34177 of the Law, not later than each date a Recognized Obligation Payment Schedule is due submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule. The Successor Agency shall take all actions required under the Law to include in the Recognized Obligation Payment Schedule for each Semiannual Period (i) amounts due with respect to the Senior Obligations under the Senior Obligation Indenture, (ii) debt service on the 2017 Bonds and (iii) all amounts due and owing to the issuer of bond insurance policy and/or debt service reserve policy for the 2017 Bonds (the "**2017 Bond Insurer**") under the Indenture, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1, as applicable, amounts required to enable the Successor Agency to pay timely principal of, and interest on, the Bonds on a timely basis, as such amounts of debt service are set forth in the Recognized Obligation Payment Schedule attached to the Indenture, or as such Schedule may be amended in the future, as well as all amounts due and owing to the 2017 Bond Insurer, if any, thereunder.

In order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds and all amounts due and owing to the [2017 Bond Insurer], if any, under the Indenture on a timely basis, the Successor Agency acknowledges that, based on available funds and moneys to be received from the February 1, 2017 Recognized Obligation Payment Schedule submission, it will have sufficient funds to pay debt service on the Senior Obligations and the 2017 Bonds on September 1, 2017 and March 1, 2018, as well as 50% of principal due on the Outstanding Bonds on such September 1, 2018. Thereafter, not later than February 1, 2018 and each February 1 thereafter (or at such other time as may be required by the Dissolution Act), for so long as any Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to DOF and to the Riverside County Auditor-Controller that shall include (a) amounts required to be included on such Schedule pursuant to the Senior Obligations Indenture, (b) for distribution on the immediately succeeding June 1, interest on all Outstanding Bonds due on the immediately succeeding September 1 plus 50% of principal due on the Outstanding Bonds on such September 1, which amounts shall distributed to the Successor Agency, (c) for distribution on the immediately succeeding January 2, interest on all Outstanding Bonds due on the immediately succeeding March 1 plus 50% of principal due on all Outstanding Bonds on the immediately succeeding September 1 , and (d) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument,[as well as all amounts due and owing to the 2017 Bond Insurer under the Indenture.].

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2017 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 debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of (i) not less than one of half of debt service due during each Bond Year on all Outstanding Bonds prior to March 1 of such Bond Year, and (ii) the remainder of debt service due during such Bond Year on all Outstanding Bonds prior to the next succeeding September 1.

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board, the County Auditor-Controller and the DOF on or before each February 1 commencing February 1, 2018 (unless the Successor Agency submits and obtains approval from the DOF of a Last and Final Recognized Obligation Payment Schedule), then the Successor Agency will be subject to a $10,000 per day civil penalty for every day the schedule is not submitted to the DOF. See “SECURITY FOR THE 2017 BONDS – Recognized Obligation Payment Schedules” for discussion regarding submission of Last and Final Recognized Obligation Payment Schedule. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF within 10 days of the deadline, then the Successor Agency’s maximum administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2017 Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedules.”

Negotiated Pass-Through Agreements

The Redevelopment Law authorized the Former Agency to enter into negotiated pass-through agreements with taxing agencies whose territory was located within the Project Area to alleviate the financial burden or detriment caused by the Redevelopment Project. The Former Agency entered into the following pass-through agreements:

Project Area One:

- The Successor Agency and the County entered into a pass through agreement on May 3, 1983 with respect to Project No. 1. The agreement represents the interests of the County of Riverside, the County’s Free Library District and the County’s Structural Fire District, and provides that when the total annual tax increment allocated to the Agency exceeds the following amounts, a portion of the tax increment shall be paid to the County as follows: (Tier A) when tax increment is less than $500,000, then 100% of the County's share shall be allocated to the Successor Agency; (Tier B) when tax increment is greater than $500,000 and less than $1,500,000, then 20% of the County's share shall be allocated to the County and remainder to the Agency; (Tier C) when tax increment is greater than $1,500,000 and less than $2,500,000, then 35% of County's share shall be allocated to the County and remainder to the Successor Agency; and (Tier D) when tax increment is greater than $2,500,000, then 50% of County's share shall be allocated to the County and the remainder to the Successor Agency. During Fiscal Year 2016-17, Project No. 1 will generate gross tax increment revenues of approximately $2.3 million and will trigger a Tier C tax sharing payment. The County will receive 35% of the County's share (29.87%) of tax increment revenue.

- The Successor Agency and the Coachella Valley Mosquito Abatement and Vector Control District entered into a pass through agreement on March 13, 2001 with respect to Project No. 1. The agreement provides that the Successor Agency pay pass through payments based on the formula set forth in Section 33607.5 (the "AB 1290 Pass Through Formula) of the Law and be calculated as if it was in effect since adoption, using $133,429,499 as the first adjusted based year figure for calculating the 21% portion of tax increment used in the AB 1290 Pass Through Formula. The Coachella Valley Mosquito Abatement and Vector Control District's share of tax increment revenue is 1.11%.

- The Successor Agency and the County Flood Control and Water Conservation District entered into a pass through agreement on May 24, 1983 with respect to Project No. 1. The agreement provides that 50% of district's share (3.62%) shall be allocated to and paid to the district and the remainder to the Successor Agency. The shares to be allocated to the Successor Agency and to the district are to be deposited into the district's general fund for Zone 6. Monies in said fund in excess of the district's annual and long-term maintenance requirements shall be applied by the district towards the construction of flood control improvements which benefit the Project Area.

Project No. 2 Agreements:

- The Successor Agency and the County of Riverside entered into a pass through agreement on January 29, 1985 with respect to Project No. 2. The agreement represents the interests of the County of Riverside, the County's Free Library District and the County's Structural Fire District, and provides that when the total annual tax increment allocated to the Successor Agency exceeds the following amounts, a portion of the tax increment shall be paid to the County as follows: (Tier A) when tax increment is less than $500,000, then 100% of the County's share shall be allocated to the Successor Agency; (Tier B) when tax increment is greater than $500,000 and less than $1,500,000, then 25% of County's share shall be allocated to the County and remainder to the Successor Agency; and (Tier C) when tax increment exceeds $1,500,000, then 50% of the County's share shall be allocated to the County and remainder to the Successor Agency. Over the life of the project, the cumulative total of the County's share to be retained by the Successor Agency shall not exceed $11,000,000. During Fiscal Year 2016-17, Project No. 2 will generate gross tax increment revenues of approximately $1 million and will trigger a Tier B tax sharing payment (25% of the

County's share). To date, the Successor Agency has retained the approximate cumulative total of $3,380,578 attributable to the County's share. If the assessed value of Project No. 2 increases consistently at an annual rate of 5.8% per year, then the retention amount will exceed the $11,000,000 limit in Fiscal Year 2037-38 and the County will be allocated 100% of it share. The County's share is approximately 30.03%.

- The Successor Agency and the County Flood Control and Water Conservation District entered into a pass through agreement on February 13, 1985, with respect to Project No. 2. The agreement provides that when the annual tax increment allocated to the Successor Agency exceeds the following amounts, a portion of the tax increment shall be paid to the District as follows: (Tier A) when annual tax increment is less than $250,000, then 100% of the District's share shall be allocated to the Successor Agency; and (Tier B) when tax increment is equal to or greater than $250,000, then 50% of the District's share shall be allocated to the District and remainder to the Successor Agency. The share to be allocated to the District is to be deposited into the District's general fund for Zone 6 to fund construction of flood control improvements which benefit the Project Area. During Fiscal Year 2016-17, Project No. 2 will be allocated annual tax increment revenues of approximately $1 million, resulting in a Tier B tax sharing payment. The district will receive 50% of the district's share (3.64%). The agreement provides that when either of the following occur, the District will receive 100% of its share: 1) the expiration or termination of the redevelopment plan; 2) the Agency's cumulative receipt of its portion of the District's share exceeds the actual cost of the Project Improvements. For projection purposes, it is assumed that the District will receive 100% of its share (3.64%) commencing in Fiscal Year 2025-26, which is the fiscal year in which the redevelopment plan for Project Area No. 2 will terminate.

- The Successor Agency and the Coachella Valley Mosquito Abatement and Vector Control District entered into a pass through agreement executed by the district on January 14, 1986 with respect to Project No. 2. The agreement provides that 80% of the district's share (1.12%) shall be allocated to the district and the remainder to the Successor Agency.

- The Successor Agency and the Coachella Community College District entered into a pass through agreement dated February 13, 1985 with respect to Project No. 2. The agreement provides that 50% of the District's share of tax increment shall be allocated to the district and remainder to the Successor Agency. The share to be allocated to the district is to be deposited into a trust fund to pay costs incurred by the district in connection with the construction or reconstruction of new or existing school facilities and related public improvements.

- The Successor Agency and the Riverside County Superintendent of Schools entered into a pass through agreement dated February 13, 1985 with respect to Project No. 2. The agreement provides that 50% of the district's share of tax increment shall be allocated to the district and the remainder to the Successor Agency. The share to be allocated to the district is to be deposited into a trust fund to pay costs incurred by the district in connection with the construction or reconstruction of new or existing school facilities and related public improvements.

- The Successor Agency and the Palm Springs Unified School District entered into a pass through agreement dated February 13, 1985 with respect to Project No. 2. The agreement provides that 50% of the district's share (21.53%) of tax increment, net of the 20% Housing Set-Aside amount to retained by the Successor Agency, shall be allocated to the district and the remainder to the Successor Agency. The share to be allocated to the district is to be deposited into a trust fund to pay costs incurred by the district in connection with the construction or reconstruction of new or existing school facilities and related public improvements.

- The Successor Agency and the Desert Hot Springs County Water District entered into a pass through agreement dated April 15, 1985 with respect to Project No. 2. The agreement provides that 80% of the district's share (1.38%) of tax increment, net of 20% Housing Set-Aside amount to be retained by the Successor Agency, shall be allocated and paid to the district and the remainder retained by the Successor Agency. Monies otherwise required to be paid to the district are to be deposited into a special fund to pay costs incurred by the district in connection with the construction or reconstruction of new or existing school facilities and related public improvements, and 20% of each such deposit may be used by the Successor Agency for low and moderate income housing projects.]

The Successor Agency's obligations under the Pass-Through Agreements are payable on a senior basis to the 2017 Bonds.

Statutory Pass-Through Payments

General. In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within a redevelopment project area, to alleviate the financial burden or detriment caused by the redevelopment project.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency's Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a project area as follows:

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a project area, 25% of revenues in excess of revenues generated in such project area from the date the redevelopment plan for such project area was adopted, for post-1994 plans, and from the year in which one of several specified plan limitations would have been reached, in the absence of an amendment to a redevelopment plan extending or eliminating such limitation, for pre-1994 plans with such amendments, all computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the project area for the 10th year of statutory pass-through payments; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the project area for the 30th year of statutory pass-through payments.

Statutory Pass-Through Obligations in the Project Area*.* In 1993, the State Legislature enacted Assembly Bill 1290 ("**AB 1290**"), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. Under AB 1290, redevelopment agencies were required to commence making pass-through payments under Section 33607.7 of the Redevelopment Law to certain taxing entities with respect to project areas formed on or before 1993, upon amendment of the related redevelopment plans to eliminate the time during which the redevelopment agency could incur debt with respect to particular project areas as set for in such redevelopment plans, to extend the life of the redevelopment plan or to increase the tax increment limit.

Under AB 1290, statutory pass-through payments were required to commence in the first year following the year in which the first of the revised limits would otherwise have gone into effect. With respect to project areas formed or territory added to existing project areas after 1993, AB 1290 required redevelopment agencies to commence making pass-through payments under 33607.7 of the Redevelopment Law upon formation of such project areas.

Pursuant to Ordinance No. 936, adopted by the City Council on July 10, 2003, the Redevelopment Plan was amended to eliminate the limitation on the issuance of new indebtedness to be repaid with tax increment revenue. As a result, the Former Agency was required to make statutory pass-through payments to taxing agencies that did not enter into pass through agreements with respect to the Project Area pursuant to AB 1290.

Subordination of Statutory Pass-Through Payments*.* Statutory pass-through payments are payable on a senior basis to debt service on bonds under the Dissolution Act, unless the pass-through payments have been subordinated. The Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency's bonds. **The statutory pass-through payments have been subordinated to the 2017 Bonds, subject to compliance with certain procedures set forth in the Dissolution Act. Accordingly, statutory pass-through payments from the Project Area are payable on a subordinate basis to debt service on the 2017 Bonds**.

See "APPENDIX G – FISCAL CONSULTANT'S REPORT" for information about the Former Agency's statutory pass-through obligations and the County's payment practices with regard to statutory pass-through payments.

PROPERTY TAXATION IN CALIFORNIA

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 are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by 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.

Generally, ad valorem taxes are collected by a county (the "**Taxing Authority**") for the benefit of the various entities (e.g., 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 Funds.

Collections. Secured and unsecured property is entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has 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 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 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. See "County Teeter Plan" below for a description of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds.

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.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

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, and this delayed the realization of increased or decreased property taxes from the new assessments for up to 14 months. This statute provides increased or decreased 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 redevelopment projects subsequent to the January 1 lien date. To the extent such Supplemental Assessments occur within the Project Area, Tax Revenues may increase or decrease. The Fiscal Consultant has not included supplemental assessments in the projections of Tax Revenues.

Property Tax Administrative Costs. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges 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, in an amount equal to the fiscal year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. The Fiscal Consultant reports that the SB 2557 charge for fiscal year 2014-15 was 1.59% of gross tax increment revenues for the Project Area.

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/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge relating to the dissolution of the Former Agency was $63,401 and $61,404 for fiscal years 2014-15 and 2015-16, respectively. **The County's administrative charges are payable on a senior basis to debt service on the 2017 Bonds**.

Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2017 Bonds – Recognized Obligation Payment Schedules" and "RISK FACTORS – Recognized Obligation Payment Schedules."

County Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in the County, including the Successor Agency, receives the amount of uncollected taxes credited to its fund, in the same manner as if the amount due from taxpayers had been collected. In return, the County receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the County. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls in that agency.

Unitary Property

Legislation enacted in 1986 and 1987 provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization ("**SBE**"), other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

Assembly Bill ("**AB**") 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county. Additionally, the lien date on State-assessed property is 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 SBE. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax 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 sited.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the base year value of the Project Area has been reduced by the amount of utility value that existed originally in the base year.

The Fiscal Consultant reports that the Successor Agency will receive $114,094 in unitary revenue from the Project Area in fiscal year 2015-16.

Article XIIIA of the State Constitution

Article XIIIA 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 XIIIA defines "full cash value" to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value,' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." 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 XIIIA 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 XIIIA (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 XIIIA has been upheld by both the California Supreme Court and the United States Supreme Court.

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

Proposition 60 amended Article XIIIA 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 XIIIA 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.

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. During the ten previous fiscal years, the inflation factor has been less than 2% on five occasions. The table below reflects the inflation adjustment factors for the current fiscal year, the 9 prior fiscal years and the adjustment factor for fiscal year 2017-18.

Historical Inflation Adjustment Factors

Fiscal Year	Inflation Adj. Factor
2006-07	2.000%
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998
2016-17	1.525
2017-18	2.000

Appropriations Limitation – Article XIIIB

Article XIIIB 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 the 1978/79 fiscal year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

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 shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIIIB, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

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 (other than 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. Effective September 22, 2015, the Dissolution Act provides that such debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project that are not pledged to or not needed for debt service on successor agency obligations will be allocated and paid to the entity that levies the override.

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 SBE, 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 September 15 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 the assessment 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 four 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 "THE PROJECT AREA – Appeals of Assessed Values" for information regarding historical and pending appeals of assessed valuations by property owners in the Project Area.

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 under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, 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 XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

The Fiscal Consultant reports that information regarding reductions and restorations of assessed values within the Project Area pursuant to Proposition 8 is not currently available from the County.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID 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 XIIIC 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 2017 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID 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 Successor Agency revenues or the Successor Agency's ability to expend revenues.

THE SUCCESSOR AGENCY

As described in "INTRODUCTION," the Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City became the Successor Agency to 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 City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority 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, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

Status of Compliance with Dissolution Act

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency's low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the DOF will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved redevelopment agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency completed the due diligence process and received its Finding of Completion on September 10, 2013.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to satisfy an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and the DOF will review these plans as submitted on a rolling basis.

The DOF approved the Successor Agency's Long Range Property Management Plan on May 5, 2015.

THE PROJECT AREA

Project Description

General. The Project Area encompasses approximately 3,149 acres (928 acres in Project Area No. 1, 587 acres in Project Area No. 2 and 1,634 acres in the Added Territory), or approximately 21% of the total incorporated area of the City. The Project Area No. 1 component encompasses approximately 928 acres in the western portion of the City, and the primary land uses are industrial, commercial and residential. The Project Area No. 2 component consists of approximately 587 acres in the north eastern portion of the City, and is comprised of residential, commercial and hotel/motel uses. The Added Territory component consists of approximately 1,634 acres throughout the downtown area of the City, and is comprised of residential, commercial and hotel/motel uses.

Land Use

The following table summarizes the current land use in the Project Area by the number of parcels and by secured assessed value for fiscal year 2016-17. The secured assessed values shown have been reduced to reflect non-homeowner exemptions.

As shown in the table below, land within the Project Area is predominantly used for single family residential purposes (approximately 60% in terms of secured assessed valuation).

TABLE 1
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
Merged Redevelopment Project
Land Use Summary
Fiscal Year 2016-17

Land Use	Number of Parcels	Secured Assessed Valuation	Percent of Secured Assessed Valuation
Single Family Residential	4,796	$503,400,044	60.39%
Commercial	227	129,307,054	15.51
Multi-Family Residential	657	121,975,876	14.63
Vacant Commercial	340	33,951,706	4.07
Vacant Residential	1,120	24,278,904	2.91
Vacant Governmental/Institutional/Other	731	15,076,596	1.81
Governmental/Institutional/Other	131	5,532,745	0.66
Total All Secured	**8,002**	**$833,522,926**	**100.00%**

Source: County Assessor; Urban Futures, Inc.

The Redevelopment Plan

General. The City Council of the City of Desert Hot Springs adopted the Redevelopment Plan for the Desert Hot Springs Redevelopment Project No. 1 ("Project No. 1") on July 14, 1982, by Ordinance No. 82-3. The City Council adopted the Redevelopment Plan for the Desert Hot Springs Redevelopment Project No. 2 ("Project No. 2") on November 30, 1984, by Ordinance No. 84-17. On December, 16, 1997 the City Council, by Ordinance No. 1997-09, approved and adopted the amendment to merge Project No. 1 and Project No. 2, (collectively, the “Original Area”), to add territory (the “Added Territory”) and to amend fiscal and time limitations contained in the Original Area plans.

Plan Limits. In accordance with the Redevelopment Law, redevelopment plans like the Redevelopment Plan were required to include certain limits on the financing of the redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit on the incurrence of indebtedness, a time limit on the receipt of property tax increment and the repayment of indebtedness and a limit on the amount of bonded indebtedness outstanding at any time. SB 107 clarifies that former tax increment limits set forth in redevelopment plans such as the Redevelopment Plan no longer apply for purposes of paying approved enforceable obligations such as the 2017 Bonds.

Historical and Estimated Assessed Values and Tax Revenues

The table below shows the historical assessed valuations for the Project Area for fiscal years 2005-06 to 2016-17 based upon the County Auditor-Controller’s equalized rolls.

TABLE 2
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
Merged Redevelopment Project
Historical Assessed Values

					Annual
2005-06	**Secured**	**SBE**	**Unsecured**	**Total AV**	% Change
Project No. 1	$ 200,464,924	$ 214,500	$ 17,503,737	$ 218,183,161	
Project No. 2	97,908,400	-	935,248	98,843,648	
Added Territory (1997)	388,960,552	-	6,048,471	395,009,023	
	$ 687,333,876	$ 214,500	$ 24,487,456	$ 712,035,832	-
2006-07	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 262,368,161	$ 429,000	$ 22,814,778	$ 285,611,939	
Project No. 2	144,290,920	-	721,132	145,012,052	
Added Territory (1997)	562,644,000	-	5,308,339	567,952,339	
	$ 969,303,081	$ 429,000	$ 28,844,249	$ 998,576,330	40.24%
2007-08	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 317,659,570	$ 429,000	$ 21,053,526	$ 339,142,096	
Project No. 2	182,558,043	-	390,147	182,948,190	
Added Territory (1997)	692,724,068	-	3,292,683	696,016,751	
	$ 1,192,941,681	$ 429,000	$ 24,736,356	$ 1,218,107,037	21.98%
2008-09	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 315,833,553	$ 429,000	$ 21,881,616	$ 338,144,169	
Project No. 2	171,173,877	-	503,774	171,677,651	
Added Territory (1997)	672,689,417	-	3,059,468	675,748,885	
	$ 1,159,696,847	$ 429,000	$ 25,444,858	$ 1,185,570,705	-2.67%
2009-10	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 244,009,206	$ 429,000	$ 21,193,765	$ 265,631,971	
Project No. 2	106,658,149	-	642,366	107,300,515	
Added Territory (1997)	437,131,419	-	3,244,963	440,376,382	
	$ 787,798,774	$ 429,000	$ 25,081,094	$ 813,308,868	-31.40%
2010-11	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 214,970,570	$ 429,000	$ 25,014,900	$ 240,414,470	
Project No. 2	93,071,118	-	875,849	93,946,967	
Added Territory (1997)	401,544,323	-	2,792,725	404,337,048	
	$ 709,586,011	$ 429,000	$ 28,683,474	$ 738,698,485	-9.17%

					Annual
2011-12	**Secured**	**SBE**	**Unsecured**	**Total AV**	% Change
Project No. 1	$ 204,891,387	$ 429,000	$ 17,871,228	$ 223,191,615	
Project No. 2	89,663,631	-	628,781	90,292,412	
Added Territory (1997)	377,090,936	-	2,283,486	379,374,422	
	$ 671,645,954	$ 429,000	$ 20,783,495	$ 692,858,449	-6.21%
2012-13	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 193,665,720	$ 109,200	$ 17,662,791	$ 211,437,711	
Project No. 2	86,589,472	-	653,781	87,243,253	
Added Territory (1997)	363,401,418	-	2,694,454	366,095,872	
	$ 643,656,610	$ 109,200	$ 21,011,026	$ 664,776,836	-4.05%
2013-14	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 203,195,694	$ 109,200	$ 19,599,506	$ 222,904,400	
Project No. 2	90,831,654	-	70,608	90,902,262	
Added Territory (1997)	388,072,754	-	2,447,471	390,520,225	
	$ 682,100,102	$ 109,200	$ 22,117,585	$ 704,326,887	5.95%
2014-15	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 214,162,857	$ 109,200	$ 19,433,266	$ 233,705,323	
Project No. 2	100,874,347	-	769,371	101,643,718	
Added Territory (1997)	415,608,250	-	2,060,763	417,669,013	
	$ 730,645,454	$ 109,200	$ 22,263,400	$ 753,018,054	6.91%
2015-16	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 228,289,976	$ 109,200	$ 18,568,049	$ 246,967,225	
Project No. 2	109,280,633	-	76,825	109,357,458	
Added Territory (1997)	448,550,811	-	2,086,636	450,637,447	
	$ 786,121,420	$ 109,200	$ 20,731,510	$ 806,962,130	7.16%
2016-17	**Secured**	**SBE**	**Unsecured**	**Total AV**	
Project No. 1	$ 247,261,610	$ 109,200	$ 18,117,194	$ 265,488,004	
Project No. 2	116,422,131	-	55,000	116,477,131	
Added Territory (1997)	469,839,185	-	2,873,346	472,712,531	
	$ 833,522,926	$ 109,200	$ 21,045,540	$ 854,677,666	5.91%

Source: County Assessor; Urban Futures, Inc.

Unitary Property

As the result of the enactment of Assembly Bill 2890 (Chapter 1457, Statutes of 1986) and Assembly Bill 454 (Chapter 921, Statutes of 1987), a portion of the County-wide unitary values assigned to public utilities is allocated to the Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of tax increment revenues. However, any such impact with respect to utility properties within the Project Area will be lessened because the impact will be spread on a County-wide basis.

The Fiscal Consultant reports that the Successor Agency will receive $114,094 in unitary revenue from the Project Area in fiscal year 2015-16.

Largest Taxable Property Owners

The following table lists the 10 largest payers of secured property taxes in the Project Area for fiscal year 2016-17. The total assessed valuation of the top 10 secured property taxpayers accounted for 7.70% of the total secured assessed valuation of the Project Area and 11.08% of the incremental assessed value of the Project Area for fiscal year 2016-17. See "RISK FACTORS – Concentration of Ownership" for a discussion regarding the risks associated with the concentration of ownership among the largest secured property taxpayers in the Project Area.

TABLE 3
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
Merged Redevelopment Project
Largest Fiscal Year 2016-17 Local Secured Property Taxpayers

	Property Owner	Taxable Secured Assessed Valuation	Primary Land Use	Percent of Secured Assessed Value(1)	Percent of Incremental Assessed Value(2)
1.	Baghdady Hany H	$17,118,796	Multi-Family Residential	2.05%	2.95%
2.	Kmart Corp	8,296,577	Commercial	1.00	1.43
3.	H & J Kazemaini	6,368,907	Commercial	0.76	1.10
4.	Ck Pal Prop	5,583,552	Commercial	0.67	0.96
5.	Celadon Inv	5,151,788	Commercial	0.62	0.89
6.	Biasa II LP	4,668,225	Multi-Family Residential	0.56	0.81
7.	Desert Hot Springs Plaza	4,300,596	Commercial	0.52	0.74
8.	Tan Kimberly Ting Hui	4,264,191	Vacant Land	0.51	0.74
9.	Walgreen Co(3)	4,253,392	Commercial	0.51	0.73
10.	Vons Co Inc(3)	4,174,140	Commercial	0.50	0.72
	Total	$64,180,164		7.70%	11.08%

(1) Based on fiscal year 2016-17 secured assessed valuation of $833,522,926
(2) Based on fiscal year 2016-17 incremental assessed valuation of $579,414,808.
(3) This Property Owner has assessment appeals pending.
Source: Urban Futures, Inc. with information from the Riverside County 2016-17 Secured Property Tax Roll.

Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a redevelopment project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of $1.00 per $100 of taxable value and any over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

As previously indicated, Section 34183(a)(1) of the Dissolution Act requires the County Auditor-Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal of and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. In addition, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs, capital projects, or programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund.

The Fiscal Consultant's projections of tax increment available to pay debt service on the 2017 Bonds include over-ride tax rate for Desert Water Agency through Fiscal Year 2034-35.

Appeals of Assessed Values

Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine 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 it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIIIA of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "PROPERTY TAXATION IN CALIFORNIA" above.

The Fiscal Consultant reviewed assessment appeals data from the County for the Project Area for the period commencing January, 2011 through March, 2017 to determine the potential impact that pending appeals may have on projected tax increment revenues available to pay debt service on the 2017 Bonds. Based on information provided by the County Assessment Appeals Office, the Fiscal Consultant estimates that, assuming a 4.83% reduction in assessed value (based on actual reductions of assessed value for the period commencing January, 2011 through March, 2017), the Successor Agency can expect to experience a further reduction in assessed value of the Project Area of approximately $364,273. The projections of tax increment revenues from the Project Area available to pay debt service prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREAS – Projected Tax Increment Revenues and Estimated Debt Service Coverage" do not take into account reductions in assessed value related to pending appeals.

The following table shows the number of appeals that are pending, the values under appeal and the property owners' opinion of value for the Project Area.

TABLE 4
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
Merged Redevelopment Project
Assessment Appeals

Historic Assessment Appeals for Appeals Reviewed January, 2011 through March, 2017

Number of Appeals Filed	Number of Successful Appeals	Assessed Value of Property	Owner's Opinion of Value	Total Requested AV Reduction	Reduction Allowed by Board	Allowed Reductions as % of Requested
320	36	$128,128,932	$61,452,999	$66,675,933	$3,222,825	4.83%

Outstanding Assessment Appeals as of March, 2017

Roll Year Appealed	Number of Appeals Filed	Assessed Value of Property	Owner's Opinion of Value	Potential Loss of Assessed Value	Assumed Success Rate(1)	Reduction (based on assumed success)
2011	1	$1,243,514	$120,000	$1,123,514	4.83%	$54,306
2012	2	1,669,820	800,000	869,820	4.83	42,043
2013	5	2,345,040	1,093,016	1,252,024	4.83	60,517
2014	8	3,325,553	1,953,308	1,372,245	4.83	66,328
2015	3	5,254,247	3,900,015	1,354,232	4.83	65,458
2016	8	6,295,856	4,731,367	1,564,489	4.83	75,621

Source: Urban Futures, Inc with information from the County of Riverside

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Projected Tax Increment Revenues and Estimated Debt Service Coverage

The Fiscal Consultant prepared projections of tax increment revenues available to pay debt service for the Project Area assuming 2% inflationary assessed value growth beginning in fiscal year 2017-18 and they are shown in Table 5. Other assumptions made by the Fiscal Consultant in calculating the projected tax increment revenues available to pay debt service for the Project Area are described in the Fiscal Consultant's Report. See "APPENDIX G – FISCAL CONSULTANT'S REPORT." See "SECURITY FOR THE 2017 Bonds – Tax Revenues – Housing Set-Aside."

Table 5 below shows the projected debt service coverage based on total debt service on the 2017 Bonds and the Senior Obligations assuming 2% inflationary assessed value growth beginning in fiscal year 2017-18 and the projected debt service coverage based on total debt service on 2017 Bonds and the Senior Obligations.

The Fiscal Consultant also prepared estimated deposits to and distributions for fiscal years 2016-17 and 2017-18 and they are shown on Table 5. Table 5 also shows the projected debt service coverage on a semiannual basis for the 2017 Bonds based on amounts remaining in the Redevelopment Property Tax Trust Fund after payment of amounts due on the Senior Obligations, the County's administrative charge pursuant to SB 2557 and payments required to be made pursuant to the Pass-Through Agreements and statutory pass-through payments.

TABLE 5
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS
Merged Redevelopment Project
Projection of Incremental Value and Tax Increment Revenues and Debt Service Coverage

Fiscal Year Ending June 30	Taxable Valuation(1)	Gross Tax Revenues(2)	County Admin. Fees(3)	Pass Through Agreement Payments (4)	Statutory Pass Through Payments(5)	Tax Revenues(6)	Debt Service on Senior Obligations (7)	Estimated Debt Service on 2017 Bonds*	Total Debt Service*	Projected Debt Service Coverage*	Projected Debt Service Coverage with Subordinated Pass Through Agreements*
2017	$ 854,677,666	$ 6,487,657	$ 71,364	$ 523,748	$ 964,684	$ 4,927,860	$2,192,050	$1,748,811	$3,940,861	1.25	1.50
2018	871,771,219	6,675,686	73,433	537,549	1,013,285	5,051,419	2,191,500	1,659,150	3,850,650	1.31	1.57
2019	889,206,644	6,867,476	75,542	551,626	1,062,858	5,177,449	2,194,300	1,658,150	3,852,450	1.34	1.62
2020	906,990,777	7,063,101	77,694	565,985	1,113,423	5,306,000	2,189,750	1,736,150	3,925,900	1.35	1.64
2021	925,130,592	7,262,639	79,889	580,631	1,164,998	5,437,121	2,192,850	1,759,950	3,952,800	1.38	1.67
2022	943,633,204	7,466,168	82,128	709,275	1,217,606	5,457,159	2,192,550	1,761,550	3,954,100	1.38	1.69
2023	962,505,868	7,673,767	84,411	727,394	1,271,265	5,590,696	2,193,500	1,756,750	3,950,250	1.42	1.74
2024	981,755,985	7,885,518	86,741	745,876	1,325,998	5,726,904		1,756,750	1,756,750	3.26	4.01
2025	1,001,391,105	8,101,505	89,117	764,727	1,381,825	5,865,836		1,754,500	1,754,500	3.34	4.13
2026	1,021,418,927	8,321,811	91,540	806,032	1,438,769	5,985,470		1,760,000	1,760,000	3.40	4.22
2027	1,041,847,306	8,546,523	94,012	826,203	1,496,851	6,129,457		1,752,750	1,752,750	3.50	4.35
2028	1,062,684,252	8,775,729	96,533	846,777	1,556,096	6,276,323		1,758,250	1,758,250	3.57	4.45
2029	1,083,937,937	9,009,520	99,105	867,763	1,616,525	6,426,127		1,760,750	1,760,750	3.65	4.57
2030	1,105,616,696	9,247,986	101,728	889,169	1,678,162	6,578,927		1,760,250	1,760,250	3.74	4.69
2031	1,127,729,030	9,491,222	104,403	911,003	1,754,731	6,721,085		1,761,750	1,761,750	3.82	4.81
2032	1,150,283,610	9,739,322	107,133	933,273	1,832,830	6,866,086		1,755,000	1,755,000	3.91	4.96
2033	1,173,289,282	9,992,385	109,916	955,989	1,912,492	7,013,987		1,245,250	1,245,250	5.63	7.17
2034	1,196,755,068	10,250,508	112,756	979,160	1,993,747	7,164,846		1,242,500	1,242,500	5.77	7.37
2035	1,220,690,169	10,513,794	115,652	1,116,205	2,077,270	7,204,667		1,087,500	1,087,500	6.62	8.54
2036	1,245,103,973	9,812,505	107,938	933,545	2,028,982	6,742,041		1,017,750	1,017,750	6.62	8.62
2037	1,270,006,052	10,061,526	110,677	955,898	2,112,348	6,882,603		1,024,250	1,024,250	6.72	8.78
2038	1,295,406,173	10,315,527	113,471	978,698	2,197,383	7,025,975		1,023,250	1,023,250	6.87	9.01
2039	1,321,314,297	10,574,608	116,321	1,115,356	2,284,118	7,058,814		210,000	210,000	33.61	44.49

Source: Urban Futures, Inc.; Stifel, Nicolaus & Company, Incorporated.
(1) Based on FY 16-17 actual AV, with assumed 2% annual valuation growth thereafter.
(2) Based on tax rate of 1.10% (which includes override tax rate for Desert Water Agency through FY 2034-35) applied to incremental AV. Incremental AV equals Taxable Valuation, less Base Year assessed valuation of $275,262,858. Gross Tax Revenues include estimated unitary revenues of $114,094 per year, based on FY 15-16 actual amount.
(3) County administrative fees assumed to be 1.10% of Gross Tax Revenues, based on historical administrative fee amounts.
(4) Pass through amounts pursuant to Section 33401 Tax Sharing Agreements.
(5) Statutory pass through payments pursuant to Section 33607.5 and 33607.7. Statutory pass through payments are subordinate to the 2017 Bonds not the Senior Bonds.
(6) Tax Revenues consist of Gross Tax Revenues, less: County Admin. Fees, Agreement Pass Through Payments, and Statutory Pass Through Payments.
(7) The 2008A-1 Bonds are not being refunded by the 2017 Bonds, and will remain outstanding.

* *Preliminary; subject to change.*

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2017 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 2017 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 2017 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, including equitable principles.

Recognized Obligation Payment Schedules

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Dissolution Act, on or before each February 1, the Successor Agency shall submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule unless, at the option of the Successor Agency and subject to DOF approval and satisfaction of certain other conditions, a Last and Final Recognized Obligation Payment Schedule is filed by the Successor Agency and is approved by the DOF in which event no such periodic filing requirements apply. In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, for each annual period, the Dissolution Act requires each successor agency 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, together with the source of funds to be used to pay for each enforceable obligation. Consequently, in instances where a Last and Final Recognized Obligation Payment Schedule is not filed, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the 2017 Bonds and to pay other enforceable obligations for each applicable annual period. In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule as required, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "SECURITY FOR THE 2017 BONDS – Recognized Obligation Payment Schedules."

In instances where a Last and Final Recognized Obligation Payment Schedule is not filed, if a successor agency does not submit a Recognized Obligation Payment Schedule 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 county auditor-controller for payments for enforceable obligations from distribution to taxing entities, pending approval of a Recognized Obligation Payment Schedule. The county auditor-controller is then required to distribute the portion of any of the sums withheld as described above to the affected taxing entities in accordance with applicable provisions of the Dissolution Act upon notice by the DOF that a portion of the withheld balances are in excess of the amount of enforceable obligations. The Dissolution Act provides that the county auditor-controller shall distribute withheld funds to a successor agency only in accordance with a Recognized Obligation Payment Schedule approved by the DOF.

Nothing in the Indenture limits the Successor Agency's ability to file a Last and Final Recognized Obligation Payment Schedule.

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule as required. Specifically, an oversight board approved Recognized Obligation Payment Schedule must be submitted by the successor agency to the county auditor-controller and the DOF, no later than each February 1 for the subsequent annual period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadline, the city or county that established the redevelopment agency will be subject to a civil penalty equal to $10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is 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, with respect to the Recognized Obligation Payment Schedule for the subsequent annual period.

Challenges to Dissolution Act

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "**Syncora**") against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the "Redistribution Provisions" thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation.

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2017 Bonds.

Concentration of Ownership

The risk of reduction in assessed value as a result of factors described herein may generally increase where the assessed value within the Project Area is concentrated among a relatively few number of property owners. Ownership of property in the Project Area is moderately concentrated, with the ten largest property owners accounting for 7.7% of the Fiscal Year 2016-17 secured assessed valuation and 11.08% of the Project Area incremental value. Significant reduction in the assessed values of these property owners could, by itself or in combination with other factors, have a material adverse effect on the Successor Agency's ability to pay debt service on the Bonds as such payments become due and payable. See "THE PROJECT AREA – Largest Taxable Property Owners."

Reduction in Taxable Values

Tax increment revenue available to pay principal of and interest on the 2017 Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency's control, such as relocation out of the Project Area by one or more major property owners, sale of property to a 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 increment available to pay debt service on the 2017 Bonds. Such reduction of tax increment available to pay debt service on the 2017 Bonds could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2017 Bonds.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIIIA of the State Constitution," Article XIIIA 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 two percent 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 2017 Bonds could reduce tax increment available to pay debt service on the 2017 Bonds.

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, the State electorate or State 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 California Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or State Legislature will not at some future time approve additional limitations that could reduce the tax increment available to pay debt service on the 2017 Bonds and adversely affect the source of repayment and security of the 2017 Bonds.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2017 Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be 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 and by other similar factors. Further, real estate development within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a significant decline in the general economy of any Project Area, the owners of property within such Project Area 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 Area. See "THE PROJECT AREA – Projected Tax Increment Revenues and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2017 Bonds.

Reduction in Inflationary Rate

As described in greater detail below, Article XIIIA 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 inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIIIA 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 Successor Agency is unable to predict if any further adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future. See table entitled "Historical Inflation Adjustment Factors" in "PROPERTY TAXATION IN CALIFORNIA – Article XIIIA of the State Constitution" for the inflation adjustment factors for the current fiscal year and the 9 prior fiscal years.

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 or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds (including Bond Counsel's approving legal opinion) 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. Such delay would increase the possibility of delinquent tax installments with respect to unsecured property taxes not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2017 Bonds.

Estimated Revenues

In estimating that tax increment revenues from the Project Area will be sufficient to pay debt service on the 2017 Bonds, the Successor Agency and Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the tax increment revenues from the Project Area available to pay debt service on the 2017 Bonds will be less than those projected and such reduced tax increment revenues may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2017 Bonds. See "THE PROJECT AREA – Projected Tax Increment Revenues and Estimated Debt Service Coverage" above.

Seismic and Flood Considerations

The City, like most communities in California, is located in an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. Although the City is not directly on a fault line, there are several fault lines in the surrounding regions, including the southern segment of the San Andreas Fault, and if a large enough earthquake were to occur, they could possibly affect the City.

Approximately 5% of the City is located in a 100-Year Flood Plain. Additionally, significant localized flooding events have occurred affecting a limited number of properties in the City. The City cannot guarantee that flooding events in future years, if any, will not impact the value of properties within the City

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance limiting the beneficial use of taxable property within the Project Area. In general, the owners and operators of contaminated property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances, whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of such property.

Changes in the Law

There can be no assurance that the California 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 increment available to pay debt service on the 2017 Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service ("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 2017 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2017 Bonds might be affected as a result of such an audit of the 2017 Bonds (or by an audit of similar bonds).

Secondary Market

There can be no guarantee that there will be a secondary market for the 2017 Bonds, or, if a secondary market exists, that the 2017 Bonds can be sold for any particular price.

Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earning.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Tax Code that must be satisfied subsequent to the execution and delivery of the 2017 Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of execution and delivery of the 2017 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2017 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2017 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described above. The original issue discount accrues over the term to maturity of the 2017 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2017 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2017 Bonds who purchase the 2017 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2017 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2017 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2017 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2017 Bond (said term being the shorter of the 2017 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2017 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2017 Bond is amortized each year over the term to maturity of the 2017 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2017 Bond premium is not deductible for federal income tax purposes. Owners of premium 2017 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such 2017 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2017 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxes.

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

Form of Bond Counsel Opinion. At the time of issuance of the 2017 Bonds, Bond Counsel expects to deliver an opinion for the 2017 Bonds in substantially the form set forth in Appendix B.

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CONCLUDING INFORMATION

Underwriting

The 2017 Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the 2017 Bonds at a price of $_________________ (being the principal amount of the 2017 Bonds [less]/[plus] [net] original issue [discount]/[premium] of $__________________ and less an Underwriter's discount of $__________________). The Underwriter will purchase all of the 2017 Bonds if any are purchased.

The Underwriter may offer and sell 2017 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

Legal Opinion

The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2017 Bonds. A copy of the proposed form of Bond Counsel's final approving opinion with respect to the 2017 Bonds is attached hereto as Appendix B.

Certain legal matters will be passed on by Nixon Peabody LLP, as Disclosure Counsel and Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City, as general counsel to the Successor Agency.

Compensation paid to Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon the sale and delivery of the 2017 Bonds.

Litigation

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 2017 Bonds or the Indenture 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 or seeking to restrain or enjoin the repayment of the 2017 Bonds or which, in any manner, questions the right of the Successor Agency to use the Tax Revenues for repayment of the 2017 Bonds or affects in any manner the right or ability of the Successor Agency to collect or pledge the Tax Revenues. See, however, "RISK FACTORS – Challenges to Dissolution Act."

Rating

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its municipal bond rating of "____" to the 2017 Bonds. The rating reflects only the view of the rating agency, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from the rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating on the 2017 Bonds may have an adverse effect on the market price or marketability of the 2017 Bonds.

Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the 2017 Bonds to provide certain financial information and operating data relating to the Successor Agency by 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), commencing with the report for the 2016–17 fiscal year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such reports are required to be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system ("EMMA"). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is described in "APPENDIX D – FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the underwriter of the 2017 Bonds in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The Former Agency has previously entered into disclosure undertakings under the Rule in connection with the issuance of certain of its prior debt obligations (the "Prior Obligations"). During the past five years, the Successor Agency has failed to materially comply with its disclosure undertakings under the Rule as follows:

<u>Prior Obligations</u>

- late filings of audited financial statements and operating disclosure with respect to fiscal years 2012 through 2015, without notice of late filing

- failure to file notice of a rating downgrade of bond insurer in 2013

The Agency has since adopted necessary policies and procedures including hiring Urban Futures, Inc. to act as dissemination agent and, in such capacity, to monitor and complete all required continuing disclosure filings.

Audited Financial Statements

The City of Desert Hot Springs's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016 (the "**City CAFR**") is attached as Appendix E. The City's CAFR includes the Successor Agency's audited financial statements for the fiscal year ended June 30, 2016. The Successor Agency's audited financial statements were audited by The Pun Group, LLP (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE 2017 BONDS – Limited Obligation," the 2017 Bonds are payable from and secured by a pledge of Tax Revenues and the 2017 Bonds are not a debt of the City. The City's CAFR is attached as Appendix E to this Official Statement only because it includes the Successor Agency's audited financial statements.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Area, 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 Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2017 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 City Manager of the City, as the chief administrative officer of the Successor Agency, has been duly authorized by the Successor Agency.

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF DESERT HOT SPRINGS

By: ________________________________
Chuck Maynard, *City Manager*

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX B

FORM OF BOND COUNSEL OPINION

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency 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 the 2017 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2017 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017 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.

DTC will act as securities depository for the 2017 Bonds. The 2017 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 2017 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 Successor 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. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 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 the 2017 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 the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 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 the 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2017 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2017 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 the 2017 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 Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the 2017 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 Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2017 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2017 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2017 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 Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

APPENDIX E

SUCCESSOR AGENCY FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2016

APPENDIX F

CITY OF DESERT HOT SPRINGS AND RIVERSIDE COUNTY GENERAL INFORMATION

APPENDIX G

FISCAL CONSULTANT'S REPORT