

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011
RELATING TO
\$3,950,000
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)
SPECIAL TAX BONDS SERIES A OF 2008
(CUSIP Number 79727Q)

The following Annual Report is being provided by the City of San Diego (the "City") for the above stated issuance (the "Bonds"), pursuant to the \$3,950,000 Community Facilities District No. 3 (Liberty Station) Special Tax Bonds Series A of 2008 Continuing Disclosure Certificate and in compliance with Securities and Exchange Commission Rule 15c2-12 for the fiscal year ending June 30, 2011 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, is electronically transmitted by the City acting as the Dissemination Agent to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB").

The Annual Report is provided in accordance with the terms of the Continuing Disclosure Agreement and does not purport to provide full and complete information on the terms of the Bonds. The filing of the Annual Report does not constitute or imply any representation that no changes, circumstances or events have occurred since the end of the fiscal year to which the Annual Report relates (other than as contained in the Annual Report), or that no other information exists which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. Certain information and data provided herein was obtained from sources other than the City (the "Outside Information"), as indicated by the source citations. Although the information contained in the Annual Report has been obtained from sources which are believed to be reliable, the City has not independently verified such Outside Information, and the City cannot guarantee its completeness or accuracy. No statements in this Annual Report should be construed as a prediction or representation about future financial performance of the City or Community Facilities District No. 3 (Liberty Station).

The City is acting as the Dissemination Agent for the above stated issuance. The City does not have any obligation to update this report other than as expressly provided in the Continuing Disclosure Certificate.


Any statements regarding the above stated issuance, other than a statement made by the City in an official release or subsequent notice or annual report, published in a financial newspaper of general circulation and/or filed with the MSRB's EMMA system, are not authorized by the City.

The City shall not be responsible for the accuracy, completeness or fairness of any such unauthorized statement.

DATED: March 1st, 2012

CITY OF SAN DIEGO

By:



Jay M. Goldstone
Chief Operating Officer

\$3,950,000
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)
SPECIAL TAX BONDS SERIES A OF 2008

Annual Report Under the Continuing Disclosure Certificate

Fiscal Year Ending June 30, 2011

This Annual Report includes information required by the Continuing Disclosure Certificate for Community Facilities District No. 3 (Liberty Station) Special Tax Bonds, Series A of 2008:

1. Annual Report For Community Facilities District No. 3 (Liberty Station):

(a) Financial Statements.

The requirement that the City file its audited financial statements as a part of the Annual Report has been included in the Disclosure Certificate solely to satisfy the provisions of Rule 15c2-12. The inclusion of this information does not mean that the Bonds are secured by any resources or property of the City.

Refer to the City of San Diego’s Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2011 (“CAFR”), filed on the MSRB’s EMMA site on March 1, 2012. The District Funds can be found under the Supplementary Information section, under the heading Fiduciary Funds, Other Miscellaneous Agency and the capital improvements financed by District Funds can be found in the Supplementary Information section, under the heading Nonmajor Governmental Funds - Capital Projects (Special Assessment/Special Tax Bonds), of the City’s CAFR.

(b) Financial and Operating Data:

(i) Principal amount of Bonds outstanding (data as of September 2, 2011 pursuant to the Continuing Disclosure Certificate):

<u>Series A of 2006^(a)</u>	<u>Series A of 2008</u>
\$14,815,000	\$3,670,000

Source: City of San Diego, Debt Management

(ii) Fund balances for each fund under the Bond Indentures (data as of September 2, 2011 pursuant to the Continuing Disclosure Certificate):

	<u>Series A of 2006^(a)</u>	<u>Series A of 2008</u>
Special Tax Fund	\$7	\$0
Interest Account	\$1,187	\$0

^(a) Refers to Community Facilities District No. 3 (Liberty Station), Series A of 2006, a private placement issuance of \$16,000,000 in July 2006. There is no Continuing Disclosure Certificate for this issuance; this information is provided to be used in context with the Series A of 2008 parity bonds, a public offering, Continuing Disclosure Certificate.

Principal Account	\$0	\$0
Redemption Account	\$2,215	\$0
Reserve Account ^{(b)(c)}	\$1,131,619	\$281,606
Administrative Expense Account	\$90,227	\$0
Rebate Fund:		
Rebate Account	\$0	\$0
Alternative Penalty Account	\$0	\$0
Acquisition & Construction Fund:		
Costs of Issuance Account	\$0	\$0
Project Account	\$3,103	\$3,140
Surplus Fund	\$1,074,984	\$0

Source: City of San Diego, Debt Management; Wells Fargo Trustee Statements

(iii) Any changes to the Rate and Method of Apportionment of the Special Taxes approved or submitted to the qualified electors for approval prior to the filing of the Annual Report and a summary of the facts related to the collection of any Backup Special Tax and a description of any parcels for which the Special Taxes have been prepaid, including the amount prepaid, since the date of the last Annual Report:

- No changes to the Rate and Method of Apportionment of Special Taxes have been approved or submitted to the qualified electors for approval subsequent to the filing of the previous Annual Report and prior to the filing of this Annual Report.

- No Backup Special Taxes have been levied.

- The following Special Tax lien has been prepaid and permanently satisfied, in accordance with the Rate and Method of Apportionment of Special Taxes:

February 25, 2011 – Assessor’s Parcel Number 450-812-08-00, in the amount of \$31,077.

Source: City of San Diego, Debt Management

(iv) A statement of the assessed value-to-lien ratio of all Developed Property within Improvement Area No. 1 upon which Special Taxes were most recently levied and the assessed value-to-lien ratio of all Developed Property and each parcel of Undeveloped Property within Improvement Area No. 2 upon which Special Taxes were most recently levied, in each case based on the most recent equalized Assessor’s Roll. See Exhibit 1.

^(b) Combined Reserve Requirement Series A of 2006 and Series A of 2008 (Parity Bonds): \$1,413,190.

^(c) Combined Reserve Account Series A of 2006 and Series A of 2008 (Parity Bonds): \$1,413,225.

- (v) An update of Table 4A of the Official Statement including a list of all taxpayers within the District which own property in the District upon which 5% or more of the total Special Taxes for the current fiscal year have been levied, and a statement as to whether any of such taxpayers is delinquent in the payment of Special Taxes.

-See Exhibit 2 for the update of Table 4A. There is one taxpayer within the District which owns property upon which 5% or more of the total of the Special Taxes for the current fiscal year has been levied, and that taxpayer is not delinquent in the payment of Special Taxes.

Source: City of San Diego, Debt Management; David Taussig & Associates

- (vi) Any event known to the Issuer [District] which results in a moratorium on future building within the District:
None

Source: City of San Diego, Development Services Department

- (vii) An update of Table 5 of the Official Statement, including information for the five most recent fiscal years in which Special Taxes were levied is attached as Exhibit 3.

Source: City of San Diego, Debt Management

- (viii) Any information not already included under (i) through (xi) above that the Issuer [District] is required to file in its annual report to the California Debt and Investment Advisory Commission pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982, as amended.

The applicable California Debt and Investment Advisory Commission (“CDIAC”) Yearly Fiscal Status Reports for Fiscal Year 2009-2010 were filed with CDIAC on October 29, 2010 and are attached as follows:

<u>Issue:</u>	<u>Exhibit</u>
Series A of 2006	4a
Series A of 2008	4b

Source: City of San Diego, Debt Management

EXHIBIT 1
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 3
CONTINUING DISCLOSURE STATEMENT
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS

<u>Property Owner</u>	<u>Number of Parcels</u>	<u>FY 2011-2012 Special Tax [1]</u>	<u>Percentage of FY 2011-2012 Special Tax</u>	<u>CFD No. 3 Bonds Outstanding [2]</u>	<u>Overlapping Debt [2]</u>	<u>Total Direct and Overlapping Debt</u>	<u>Net Assessed Value [3]</u>	<u>Estimated Assessed Value- to-Lien Ratios [4]</u>
Developed Property [5]								
Improvement Area No. 1 (Residential)	347	\$794,774	55.77%	\$10,309,628	\$4,438,122	\$14,747,750	\$214,786,938	14.56 to 1
<u>Improvement Area No. 2 (Non-Residential)</u>	<u>43</u>	<u>\$630,243</u>	<u>44.23%</u>	<u>\$8,175,372</u>	<u>\$4,754,583</u>	<u>\$12,929,955</u>	<u>\$298,096,762</u> [6]	<u>23.05 to 1</u>
<i>Developed Property Subtotal</i>	390	\$1,425,018	100.00%	\$18,485,000	\$9,192,705	\$27,677,705	\$512,883,700	18.53 to 1
Undeveloped Property [7]								
<u>Improvement Area No. 2 (Non-Residential)</u>	<u>24</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>\$613,266</u>	<u>\$613,266</u>	<u>\$29,772,155</u>	<u>48.55 to 1</u>
<i>Undeveloped Property Subtotal</i>	24	\$0	0.00%	\$0	\$613,266	\$613,266	\$29,772,155	48.55 to 1
TOTAL	414	\$1,425,018	100.00%	\$18,485,000	\$9,805,971	\$28,290,971	\$542,655,855	19.18 to 1

Sources: David Taussig & Associates, Inc.; County of San Diego; Metropolitan Water District

[1] Excludes two residential parcels which prepaid their special tax obligation.

[2] As of September 2, 2011. Allocated based on fiscal year 2011-2012 levy.

[3] Fiscal year 2011-2012 net assessed values as of January 1, 2011 provided by the San Diego County Assessor, unless otherwise noted. Total net assessed value does not match value on the 2011 CDIA Report since gross assessed value is used in the CDIA report.

[4] Represents "Net Assessed Value" divided by "Total Direct and Overlapping Debt".

[5] Includes property for which a building permit and/or Agency Certificate of Completion was issued as of March 1, 2011.

[6] Includes gross assessed values for six parcels. Net assessed value is \$0 for these parcels because of religious/educational exemptions. No ad-valorem charges are assessed, however, special taxes are levied as allowed under the Rate and Method of Apportionment for CFD No. 3.

[7] Includes property for which a building permit and/or Agency Certificate of Completion was not issued as of March 1, 2011. No levy on undeveloped property in FY 2011-2012.

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EXHIBIT 2
CITY OF SAN DIEGO COMMUNITY FACILITIES DISTRICT NO. 3
CONTINUING DISCLOSURE STATEMENT
FISCAL YEAR 2011-2012 TAXPAYER SUMMARY

Property Owner [1]	Improvement Area	Land Use Class [2]	Parcels Taxed	FY 2011-2012	Due	Percentage of	1st Installment	Percent of
				Special Tax Levied	12/10/2011	Special Tax Levy	FY 2011-2012 Delinquent Amount [4]	Special Tax Levied [5]
Individual Homeowners	1	Residential	347	\$794,774	\$397,387	55.77%	\$12,925	1.81%
Kilroy Realty LP	2	Vacant Commercial	1	\$85,588	\$42,794	6.01%	\$0	0.00%
San Diego Rock Church	2	Church	1	\$66,714	\$33,357	4.68%	\$0	0.00%
Liberty Station HHG Hotel LP [3]	2	Hotel/Motel	2	\$63,126	\$31,563	4.43%	\$0	0.00%
McMillin NTC 903/904 LLC	2	Misc. Store Building	1	\$49,605	\$24,803	3.48%	\$0	0.00%
McMillin NTC 901 LLC	2	Misc. Store Building	1	\$41,683	\$20,842	2.93%	\$0	0.00%
Liberty Station Marketplace LLC [3]	2	Misc. Store Building	4	\$37,722	\$18,861	2.65%	\$0	0.00%
Liberty Station Education Center LLC	2	School	1	\$32,172	\$16,086	2.26%	\$0	0.00%
HTH Learning	2	School	4	\$31,488	\$15,744	2.21%	\$0	0.00%
Building 907 LLC	2	Misc. Store Building	1	\$30,306	\$15,153	2.13%	\$0	0.00%
McMillin/Decatur Road 906 LLC	2	Misc. Store Building	1	\$30,306	\$15,153	2.13%	\$0	0.00%
CDC Small Business Finance Corp	2	Misc. Store Building	1	\$30,276	\$15,138	2.12%	\$0	0.00%
McMillin NTC 905 LLC	2	Misc. Store Building	1	\$30,276	\$15,138	2.12%	\$0	0.00%
McMillin NTC 193 LLC [3]	2	Misc. Store Building	1	\$17,363	\$8,682	1.22%	\$0	0.00%
The Vons Companies Inc [3]	2	Misc. Store Building	1	\$16,183	\$8,092	1.14%	\$0	0.00%
McMillin NTC Landing LLC [3]	2	Misc. Store Building	6	\$13,538	\$6,769	0.95%	\$0	0.00%
Liberty Station 210 Investors LLC [3]	2	Meeting Hall/Gym	1	\$13,432	\$6,716	0.94%	\$0	0.00%
McMillin NTC LLC [3]	2	Misc. Store Building/Church	3	\$11,326	\$5,663	0.79%	\$0	0.00%
Liberty Station-Harbor Retail LLC [3]	2	Shopping Center/Vacant Commercial	5	\$7,667	\$3,834	0.54%	\$0	0.00%
Davles LLC [3]	2	Misc. Store Building	1	\$5,600	\$2,800	0.39%	\$0	0.00%
Ocean Village Associates LLC	2	Factory/Light Manufacturing	2	\$4,313	\$2,156	0.30%	\$0	0.00%
San Diego County Regional Airport Authority [3]	2	Misc. Store Building	1	\$4,078	\$2,039	0.29%	\$0	0.00%
Bentsen Palms LLC	2	Factory/Light Manufacturing	1	\$3,013	\$1,506	0.21%	\$0	0.00%
Seapro LLC	2	Factory/Light Manufacturing/Misc. Store Building	1	\$2,590	\$1,295	0.18%	\$0	0.00%
Sail Ho Golf Course LLC [3]	2	Golf Course	1	\$1,878	\$939	0.13%	\$0	0.00%
TOTAL			390	\$1,425,018	\$712,509	100.00%	\$12,925	1.81%

Source: David Taussig & Associates, Inc.

[1] Reflects ownership as of January 1, 2011 provided by the San Diego County Assessor.

[2] Land use class is based on information as of January 1, 2011 provided by the San Diego County Assessor.

[3] Based on ownership as of January 1, 2011 provided by the San Diego County Assessor, property is leased from the City of San Diego Redevelopment Agency. On March 15, 2011, certain of the Redevelopment Agency properties were transferred to the City of San Diego. This transfer is not expected to affect any of the leasehold interests involved.

[4] Based on first installment delinquency data as of January 17, 2012 provided by the San Diego County Auditor/Controller and payments made directly to the City of San Diego as the result of direct bills.

[5] Percent delinquent calculated based on amount due for first installment only.

Exhibit 3

Community Facilities District No. 3 (Liberty Station) Five Year Delinquency History

Fiscal Year	Parcels Levied	Total Levied	Fiscal Year-End Delinquencies ⁽¹⁾		Amount Remaining Delinquent As of 1/10/2012	Percent Remaining Delinquent As of 1/10/2012
			Amount Delinquent	Percent Delinquent		
2010-11	391	\$ 1,538,299	\$ 11,383	0.74%	\$ 6,395	0.42%
2009-10	391	\$ 1,999,309	\$ 14,518	0.73%	\$ -	0.00%
2008-09	380	\$ 1,949,168	\$ 36,700	1.88%	\$ 5,732	0.29%
2007-08	372	\$ 1,633,771	\$ 25,361	1.55%	\$ -	0.00%
2006-07	360	\$ 1,458,400	\$ 56,147	3.85%	\$ -	0.00%
			Total Amount Delinquent		\$ 12,127	

The District has covenanted that it will commence judicial foreclosure proceedings against parcels with delinquent special taxes in excess of \$10,000 by the October 1 following the close of each fiscal year in which such special taxes were due. As of January 10, 2012, no delinquencies met the bond foreclosure threshold.

⁽¹⁾The data is as of August 8, 2007 for Fiscal Year 2006-07; August 27, 2008 for Fiscal Year 2007-08; August 18, 2009 for Fiscal Year 2008-09; August 11, 2010 for Fiscal Year 2009-10 and August 10, 2011 for Fiscal Year 2010-11.

Source: City of San Diego, Debt Management based on San Diego County Delinquency Reports ST280190 and ST28009002.

**STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT**

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
(916) 653-3269 FAX (916) 654-7440
cdiac_issuance@treasurer.ca.gov

Fiscal Year <u>2011</u>

I. GENERAL INFORMATION

A. Issuer Community Facilities District No. 3
 B. Community Facilities District Number/Name CFD No. 3 (Liberty Station)
 C. Name/Title/Series of Bond Issue Special Tax Bonds, Series A of 2006¹
 D. Indicate Credit Rating Ratings Agency: Rating _____ Not Rated X
 E. Date of Bond Issue June 29, 2006
 F. Original Principal Amount of Bonds \$ 16,000,000
 G. Reserve Fund Minimum Balance Required \$ 1,133,055

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: June 30, 2011 (Year)
 A. Principal Amount of Bonds Outstanding \$ 15,120,000
 B. Bond Reserve Fund \$ 1,135,977
 C. Capitalized Interest Fund \$ -0-
 D. Construction Fund(s) \$ 1,480

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX

A. Assessed Value Reported as of: July 1, 2011 (Date) (Check one)
 From Equalized Tax Roll
 From Appraisal of Property
(Use only in first year or before annual tax roll billing commences)
 B. Total Assessed Value of All Parcels \$ 552,511,280 (Gross Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due \$ 1,538,299
 * B. Total Amount of Unpaid Special Taxes \$ 11,383
 C. The Special Taxes are Paid Under the County's Teeter Plan. Yes: No:

V. DELINQUENT REPORTING INFORMATION

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2011 (Date)
 * A. Total Number of Delinquent Parcels: 7
 * B. Total Amount of Special Taxes Due on Delinquent Parcels: \$ 17,115

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

- **PER SAN DIEGO COUNTY DELINQUENCY REPORT NUMBER: ST280190 and ST28-0090-02, DATED JULY 8, 2011**

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
No properties have met the foreclosure threshold.		\$
		\$
		\$
		\$
		\$

(Attach additional sheets if necessary.)

¹ CFD No. 3 (Liberty Station) Special Tax Bonds, Series A of 2008 Parity Bonds in the amount of \$3,950,000 were issued in March 2008.
 CDIAC (10/4/07)

STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT
 California Debt and Investment Advisory Commission
 915 Capitol Mall, Room 400, Sacramento, CA 95814
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 cdiac_issuance@treasurer.ca.gov

Fiscal Year <u>2011</u> .

I. GENERAL INFORMATION

A. Issuer Community Facilities District No. 3
 B. Community Facilities District Number/Name CFD No. 3 (Liberty Station)
 C. Name/Title/Series of Bond Issue Special Tax Bonds, Series A of 2008 (Parity Bonds)
 D. Indicate Credit Rating Ratings Agency: Rating _____ Not Rated X
 E. Date of Bond Issue March 27, 2008
 F. Original Principal Amount of Bonds \$ 3,950,000
 G. Reserve Fund Minimum Balance Required \$ 281,923

II. FUND BALANCE FISCAL STATUS

Balances Reported as of: June 30, 2011 (Year)
 A. Principal Amount of Bonds Outstanding \$ 3,745,000
 B. Bond Reserve Fund \$ 283,229⁽¹⁾
 C. Capitalized Interest Fund \$ -0-
 D. Construction Fund(s) \$ 1,765

¹Represents balance in the 2008 Subaccount of the Reserve Account of the CFD 3 Special Tax Fund.

III. ASSESSED VALUE OF ALL PARCELS IN CFD SUBJECT TO SPECIAL TAX

A. Assessed Value Reported as of: July 1, 2011 (Date) (Check one)
 From Equalized Tax Roll
 From Appraisal of Property
(Use only in first year or before annual tax roll billing commences)
 B. Total Assessed Value of All Parcels \$ 552,511,280 (Gross Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due \$ 1,538,299
 * B. Total Amount of Unpaid Special Taxes \$ 11,383
 C. The Special Taxes are Paid Under the County's Teeter Plan. Yes: No:

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(Aggregate totals, if foreclosure commenced on same date)

* **PER SAN DIEGO COUNTY DELINQUENCY REPORT NUMBERS: ST280190 and ST28-0090-02, DATED JULY 8, 2011**

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
No properties have met the foreclosure threshold.		\$
		\$
		\$
		\$
		\$

(Attach additional sheets if necessary.)

**STATE OF CALIFORNIA
MELLO-ROOS COMMUNITY FACILITIES DISTRICT (CFD)
YEARLY FISCAL STATUS REPORT**

(Continued)

VII. ISSUE RETIRED

This issue is retired and not longer subject to the Yearly Fiscal Status filing requirements. *(Indicate reason for retirement.)*

A. Matured Yes: No: If yes, indicate final maturity date: _____

B. Refunded Entirely Yes: No: If yes, state refunding bond title: _____

and issue date: _____

C. Other: _____

VIII. NAME OF PARTY COMPLETING THIS FORM

Name Chuck Wilcox _____.

Title Debt Coordinator _____.

Firm/Agency City of San Diego _____.

Address 202 "C" Street, 7th Floor, MS 7B _____.

City/State/Zip San Diego, CA 92101 _____.

Phone No. (619) 533-4519 E-mail: CWilcox@sandiego.gov _____.

Date of Report October 28, 2011 _____.

Completion and submittal of this form to the California Debt and Investment Advisory Commission will assure your compliance with California State law. Section 53359.5 of the California Government Code requires that all agencies issuing Mello-Roos Community Facilities bonds after January 1, 1993 to report specific information to the Commission by October 30th of each year.