

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2013
RELATING TO
\$15,770,000
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)
SPECIAL TAX REFUNDING BONDS SERIES 2013
(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 Continuing Disclosure Certificate requirements and in compliance with Securities and Exchange Commission Rule 15c2-12 for the fiscal year ending June 30, 2013 (the "Annual Report").

The Annual Report, including any amendment or supplement hereto, is electronically transmitted by the City acting as 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 Certificate, 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 10, 2014

CITY OF SAN DIEGO

By: Mary Lewis
Mary Lewis
Chief Financial Officer

\$15,770,000
COMMUNITY FACILITIES DISTRICT NO. 3
(LIBERTY STATION)
SPECIAL TAX REFUNDING BONDS SERIES 2013

Annual Report Under the Continuing Disclosure Certificate

Fiscal Year Ending June 30, 2013

This Annual Report includes information required by the Continuing Disclosure Certificate for Community Facilities District No. 3 (Liberty Station) Special Tax Refunding Bonds, Series 2013.

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, 2013 ("CAFR"), filed on the MSRB's EMMA site on February 11, 2014. The District Funds are included in the Supplementary Information section, under the heading Fiduciary Funds, Other Miscellaneous Agency. 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. Additional information related to Special Assessment/Special Tax Bonds can be found in Note 19.

(b) Financial and Operating Data.^(a)

- (i) Principal amount of Bonds outstanding (data as of September 4, 2013 pursuant to the Continuing Disclosure Certificate):

\$15,525,000

Source: City of San Diego, Debt Management

- (ii) Fund balances for each fund under the Bond Indenture (data as of September 4, 2013 pursuant to the Continuing Disclosure Certificate):

Special Tax Fund	\$54,048
Interest Account	\$0
Principal Account	\$0
Redemption Account	\$4,123

^(a) Debt Service payment date was September 3, 2013; balance is reported as of September 4, 2013.

Reserve Account ^(b)	\$1,159,952
Administrative Expense Account	\$32,434
Cost of Issuance Account	\$37,762
Surplus Fund	\$28,834
Rebate Fund	\$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 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 the Special Taxes have been submitted for approval.
- The following Special Tax liens have been prepaid and permanently satisfied, in accordance with the Rate and Method of Apportionment of Special Taxes:
 - On April 10, 2013, Parcel Number 450-812-41-00 prepaid its special tax in the amount of \$28,623; and
 - On August 28, 2013, Parcel Number 450-810-26-00 prepaid its special tax in the amount of \$29,101.

Source: City of San Diego, Debt Management

(iv) An update of Table 7 of the Official Statement with respect to the last five full Fiscal Years only.

- An update of Table 7 setting forth the Special Tax Delinquency History for the five most recent Fiscal Years in which Special Taxes were levied and any foreclosures, is attached as Exhibit 1.

Source: City of San Diego, Debt Management

(v) An update to Tables 8 and 9 of the Official Statement based upon the most recent Special Tax levy preceding the date of the Annual Report (including a list of all taxpayers which own property within the Issuer's [District's] boundaries 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 are delinquent in the payment of Special Taxes).

- An update of Table 8 setting forth the Estimated Assessed Value-To-Lien Ratios is attached as Exhibit 2.
- An update of Table 9 setting forth the Estimated Assessed Value-To-Lien Ratios by Ranges is attached as Exhibit 3.

^(b) Reserve Requirement: \$1,158,750.

- As of September 4, 2013, there was one taxpayer within the District owning property upon which 5% or more of the total Special Taxes for the 2013-2014 fiscal year have been levied:

- Parcel Number 450-820-08-00, owned by Kilroy Realty LP. Percentage of 2013-2014 Special Tax levy - 5.94%. This taxpayer is not delinquent in the payment of Special Taxes.

(Also see Exhibit 2)

Source: City of San Diego, Debt Management; Willdan Financial Services

(vi) Any information not already included under (i) through (v) 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 Report for Fiscal Year 2012-2013 was filed with CDIAC on October 17, 2013 and is attached as Exhibit 4.

Source: City of San Diego, Debt Management

Exhibit 1
COMMUNITY FACILITIES DISTRICT NO. 3 (LIBERTY STATION)
FIVE YEAR DELINQUENCY HISTORY

Fiscal Year	Parcels Levied	Fiscal Year-End Delinquencies ⁽¹⁾				Remaining Delinquent As of 2/18/2014 ⁽²⁾			
		Total Levied	Delinquent Parcels	Delinquent Installments	Percent Delinquent	Parcels Remaining Delinquent	Amount Remaining Delinquent	Percent Remaining Delinquent	
2012-13	391	\$1,439,257	1	\$758	0.05%	0	\$0	0.00%	
2011-12	390	1,425,018	4	7,524	0.53%	0	0	0.00%	
2010-11	391	1,538,299	6	11,383	0.74%	0	0	0.00%	
2009-10	391	1,999,309	6	14,518	0.73%	0	0	0.00%	
2008-09	380	1,949,168	14	36,700	1.88%	0	0	0.00%	
Total Amount Delinquent							\$0		

⁽¹⁾ Reflects final fiscal year end data reported in August of each year; does not include penalties and interest.

⁽²⁾ Delinquent data is as of February 18, 2014.

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 February 18, 2014, no delinquencies met the foreclosure threshold.

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

**Exhibit 2
COMMUNITY FACILITIES DISTRICT NO. 3 (LIBERTY STATION)
ESTIMATED ASSESSED VALUE TO LIEN RATIOS**

Property Owner ⁽¹⁾	Fiscal Year 2013-14 Special Tax ⁽²⁾	Percentages of FY 2013-14 Special Tax	CFD 3 Outstanding Bonds ⁽³⁾	Overlapping Debt	Total Direct and Overlapping Debt	Net Assessed Value ⁽⁴⁾	Estimated Assessed Value-to- Lien Ratios ⁽⁵⁾
Improvement Area No. 1 Individual Owners	\$ 649,299	54.96%	\$ 8,532,501	\$ 5,009,312	\$ 13,541,813	\$ 191,413,607	14.14
Improvement Area No. 2 Zone 1							
H T H LEARNING							
Building 36	\$ 6,698	0.57%	\$ 88,020	-	\$ 88,020	\$ 5,701,372 ⁽⁶⁾	64.77
Building 37	1,408	0.12%	18,502	-	18,502	1,320,605 ⁽⁶⁾	71.38
Building 49	10,289	0.87%	135,205	-	135,205	7,990,254 ⁽⁶⁾	59.10
Building 51	7,425	0.63%	97,577	-	97,577	5,210,308 ⁽⁶⁾	53.40
	\$ 25,820	2.19%	\$ 339,304	-	\$ 339,304	20,222,539 ⁽⁶⁾	59.60
LIBERTY STATION MARKETPLACE L L C							
Building 27	\$ 8,790	0.74%	\$ 27,868	\$ 33,935	\$ 61,803	\$ 1,305,593	21.13
Building 28	5,617	0.48%	115,511	92,721	208,232	3,567,325	17.13
Building 208	2,121	0.18%	73,819	59,706	133,525	2,297,113	17.20
	\$ 16,528	1.40%	\$ 217,197	\$ 186,362	\$ 403,559	\$ 7,170,031	17.77
MCMILLIN-N T C LANDING L L C							
Building 1	\$ 15,317	1.30%	\$ 201,266	\$ 222,984	\$ 424,250	\$ 8,579,010	20.22
Building 8	879	0.07%	24,027	40,807	64,834	1,570,000	24.22
Building 11	1,828	0.15%	14,843	21,938	36,781	844,041	22.95
Building 23	1,452	0.12%	19,077	30,203	49,280	1,162,010	23.58
Building 194	1,129	0.10%	11,557	19,426	30,982	747,372	24.12
	\$ 20,605	1.74%	\$ 270,770	\$ 335,358	\$ 606,128	\$ 12,902,433	21.29
MCMILLIN-N T C LANDING L L C							
Building 24	\$ 4,216	0.36%	\$ 55,408	\$ 89,954	\$ 145,362	\$ 3,460,872	23.81
Building 32	1,596	0.14%	20,965	37,985	58,949	1,461,410	24.79
	\$ 5,812	0.49%	\$ 76,372	\$ 127,939	\$ 204,311	\$ 4,922,282	24.09
MCMILLIN-N T C L L C							
Building 20	\$ 259	0.02%	\$ 3,405	\$ 4,334	\$ 7,738	\$ 166,727	21.55
Building 21	279	0.02%	3,663	5,382	9,044	207,048	22.89
	\$ 538	0.05%	\$ 7,067	\$ 9,715	\$ 16,782	\$ 373,775	22.27
OCEAN VILLAGE ASSOCIATES L L C							
Building 31	\$ 2,337	0.20%	\$ 30,711	\$ 19,410	\$ 50,121	\$ 746,765	14.90
Building 34	1,199	0.10%	15,760	23,598	39,358	907,896	23.07
	\$ 3,536	0.30%	\$ 46,471	\$ 43,008	\$ 89,479	\$ 1,654,661	18.49
BENTSEN PALMS L L C (Bldg. 153)	\$ 2,470	0.21%	\$ 32,465	\$ 55,721	\$ 88,186	\$ 2,143,783	24.31
DAVLES L L C (Bldg. 195)	4,592	0.39%	60,347	126,119	186,467	4,852,275	26.02
LIBERTY STATION 210 INVESTORS L L C (Bldg. 210)	11,014	0.93%	144,739	168,947	313,686	6,500,000	20.72
LIBERTY STATION EDUCATION CENTER L L C (Bldg. 83)	26,381	2.23%	346,675	-	346,675	18,559,964	53.54
LIBERTY STATION MARKETPLACE L L C (Bldg. 30)	14,403	1.22%	189,277	261,933	451,210	10,077,508	22.33
MCMILLIN-NTC 193 L L C (Bldg. 193)	14,238	1.21%	187,097	299,100	486,197	11,507,485	23.67
SAIL HO GOLF COURSE L L C (Bldg. 9/10)	1,540	0.13%	20,232	47,132	67,364	1,813,326	26.92
SAN DIEGO ROCK CHURCH (Bldg. 94)	54,704	4.63%	718,877	-	718,877	31,958,984	44.46
SAN DIEGO COUNTY REGIONAL AIRPORT AUTHORITY (Bldg. 6/7)	3,344	0.28%	43,942	-	43,942	0	0.00
SEAPRO L L C (Bldg. 185)	2,124	0.18%	27,906	33,189	61,095	1,276,908	20.90
THE VONS COMPANIES INC (Bldg. 27, Unit M)	13,270	1.12%	174,382	507,359	681,742	19,519,963	28.63
Zone 1 Subtotal	\$ 220,918	18.70%	\$ 2,903,121	\$ 2,201,882	\$ 5,105,004	\$ 155,455,827	30.45
Zone 2							
BUILDING 907 L L C (Bldg. 907)	\$ 24,850	2.10%	\$ 326,561	\$ 20,656	\$ 347,217	\$ 10,470,599	30.16
C D C SMALL BUSINESS FINANCE CORP (Bldg. 904)	24,826	2.10%	326,239	287,160	613,399	11,048,086	18.01
KILROY REALTY L P (Bldg. 902)	70,181	5.94%	922,252	635,749	1,558,001	24,459,595	15.70
MCMILLIN NTC 901 LLC (Bldg. 901)	34,180	2.89%	449,156	267,167	716,323	10,278,869	14.35
MCMILLIN NTC 903/904 LLC (Bldg. 903)	40,676	3.44%	534,524	368,932	903,456	14,194,164	15.71
MCMILLIN N T C 905 L L C (Bldg. 905)	24,826	2.10%	326,239	245,167	571,407	9,432,482	16.51
MCMILLIN/DECATUR ROAD 906 L L C (Bldg. 906)	24,850	2.10%	326,561	249,841	576,402	9,612,301	16.68
Zone 2 Subtotal	\$ 244,389	20.69%	\$ 3,211,532	\$ 2,074,673	\$ 5,286,205	\$ 89,496,096	16.93
Zone 3							
LIBERTY STATION HHG HOTEL LP							
Hotel - 150 Rooms	\$ 22,185	1.88%	\$ 291,535	\$ 773,774	\$ 1,065,309	\$ 29,769,886	27.94
Hotel - 200 Rooms	29,580	2.50%	388,714	1,048,913	1,437,627	40,355,501	28.07
	\$ 51,765	4.38%	\$ 680,249	\$ 1,822,687	\$ 2,502,936	\$ 70,125,387	28.02
LIBERTY STATION-HARBOR RETAIL L L C							
Pad A	\$ 1,752	0.15%	\$ 23,023	\$ 47,007	\$ 70,030	\$ 1,808,528	25.83
Pad B	1,752	0.15%	23,023	48,448	71,471	1,863,980	26.08
Pad C	1,593	0.13%	20,930	35,281	56,210	1,357,379	24.15
Pad D	1,114	0.09%	14,640	33,449	48,089	1,286,891	26.76
Pad E	76	0.01%	1,005	8,543	9,548	328,676	34.42
	\$ 6,287	0.53%	\$ 82,620	\$ 172,727	\$ 255,347	\$ 6,645,454	26.03
D R C PARTNERS L L C (Bldg. 623)⁽⁷⁾	\$ 8,749	0.74%	\$ 114,977	\$ 40,131	\$ 155,108	\$ 1,544,000	9.95
Zone 3 Subtotal	\$ 66,802	5.65%	\$ 877,846	\$ 2,035,545	\$ 2,913,392	\$ 78,314,841	26.88
Subtotal Improvement Area 2	\$ 532,109	45.04%	\$ 6,992,499	\$ 6,312,100	\$ 13,304,601	\$ 323,266,764	24.30
Grand Total	\$ 1,181,408	100.00%	\$ 15,525,000	\$ 11,321,412	\$ 26,846,414	\$ 514,680,371	19.17

⁽¹⁾ Unless otherwise noted, reflects ownership as of January 1, 2013 as provided by County of San Diego Assessor. Reflects only property subject to the levy of the Special Tax in Fiscal Year 2013-14 based on Building Permits and/or Agency Certificates of Completion issued as of 3/1/2013. Allocation of 2013 Bonds will vary in the event that other properties are classified as "Developed Property."

⁽²⁾ Reflects actual levy for fiscal year 2013-2014.

⁽³⁾ Allocated based on actual levy for fiscal year 2013-2014.

⁽⁴⁾ Unless otherwise noted, reflects the net Assessed values for fiscal year 2013-14, provided by the county of San Diego Assessor as of January 1, 2013. Net assessed values reflect a reduction of \$7,000 off the assessed value of a qualifying residence for homeowners' exemptions.

⁽⁵⁾ Calculated by dividing Net Assessed Value by Total Direct and Overlapping Debt.

⁽⁶⁾ Represents Gross Assessed Value. Net Assessed Value is \$0 because of Religious/Educational Exemptions. No ad valorem charges will be assessed, however, a Special Tax will be levied as allowed under the Rate and Measure.

⁽⁷⁾ Based on ownership provided by the County of San Diego as of 1/1/13, this property is leased from the Successor Agency.

Exhibit 3
COMMUNITY FACILITIES DISTRICT NO. 3 (LIBERTY STATION)
CONTINUING DISCLOSURE STATEMENT
ESTIMATED ASSESSED VALUE-TO-LIEN RATIOS BY RANGES

Estimated Assessed Value-to-Lien Ratio Range	Number of Parcels	FY 2013/2014 Special Tax	Percentage of FY 2013/2014 Special Tax	CFD 3 Bonds Outstanding ⁽¹⁾	Metropolitan Water District G.O. Bonds Outstanding ⁽²⁾	San Diego Unified Bonds Outstanding ⁽²⁾	San Diego Community College District Bonds Outstanding ⁽²⁾	Total Direct and Overlapping Debt	Net Assessed Value ⁽³⁾	Estimated Assessed Value-to-Lien Ratios ⁽⁴⁾
0:1 to 2.99:1	2	\$5,466	0.46%	\$71,828	\$7	\$1,475	\$827	\$74,137	\$81,890	1.10
3:1 to 9.99:1	12	31,075	2.63%	408,362	290	63,651	35,705	508,008	3,770,731	7.42
10:1 to 14.99:1	217	438,990	37.17%	5,768,804	9,327	2,048,964	1,149,354	8,976,449	122,621,909	13.66
15:1 to 19.99:1	126	422,144	35.73%	5,547,437	11,532	2,533,189	1,420,976	9,513,133	152,119,777	15.99
20:1 to 24.99:1	17	76,116	6.44%	1,000,252	4,026	884,522	496,167	2,384,967	53,275,042	22.34
25:1 to 29.99:1	8	75,785	6.41%	995,896	7,654	1,681,385	943,162	3,628,097	101,270,350	27.91
30:1 or Greater	8	131,833	11.16%	1,732,421	85	18,652	10,463	1,761,620	81,540,672	46.29
Totals	390	\$1,181,409	100.00%	\$15,525,000	\$32,921	\$7,231,838	\$4,056,654	\$26,846,411	\$514,680,371	19.17

⁽¹⁾ Outstanding Bond amount is allocated based on the actual FY 2013-2014 Special Tax levy. Bonds outstanding as of September 4, 2013.

⁽²⁾ Source: California Municipal Statistics as of January 1, 2014. Per California Municipal Statistics, additional debt was issued for San Diego Unified and San Diego Community College District.

⁽³⁾ Fiscal year 2013-2014 net assessed values as of January 1, 2013 provided by the San Diego County Assessor. Net assessed values reflect a reduction of \$7,000 off the assessed value of a qualifying residence for homeowners' exemptions but include the gross assessed value of educational and religious parcels with net assessed value of zero.

⁽⁴⁾ Calculated by dividing Net Assessed Value by Total Direct and Overlapping Debt.

Source: Willdan Financial Services.

**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

For Office Use Only Fiscal Year <u>FY 2013</u> CDIAC # <u>2013-0082</u>

I. GENERAL INFORMATION

A. Issuer	<u>Community Facilities District No. 3</u>
B. Community Facilities District Number/Name	<u>CFD No. 3 (Liberty Station)</u>
C. Name/Title/Series of Bond Issue	<u>Special Tax Refunding Bonds Series 2013</u>
D. Date of Bond Issue	<u>February 14, 2013</u>
E. Original Principal Amount of Bonds	<u>\$15,770,000</u>
F. Reserve Fund Minimum Balance Required	<u>\$1,160,000</u>

II. FUND BALANCE FISCAL STATUS

Balances Reported as of:	<u>June 30, 2013</u> (Year)
A. Principal Amount of Bonds Outstanding	<u>\$15,770,000</u>
B. Bond Reserve Fund	<u>\$1,160,841</u>
C. Capitalized Interest Fund	<u>\$-0-</u>
D. Construction Fund(s)	<u>\$-0-</u>

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

A. Assessed or Appraised Value Reported as of: July 1, 2013 (Date)
(Use Appraised Value only in first year of CFD or before annual tax roll billing commences)

B. Total Assessed Value of All Parcels: \$531,908,642 (Gross Assessed Value)

IV. TAX COLLECTION INFORMATION

A. Total Amount of Special Taxes Due <u>Annually</u>	<u>\$1,439,258</u>
B. Total Amount of Unpaid Special Taxes <u>Annually</u>	<u>\$6,679</u>
C. The Special Taxes are Paid Under the County's Teeter Plan.	Yes: <input type="checkbox"/> No: <input checked="" type="checkbox"/>

V. DELINQUENT REPORTING INFORMATION

Delinquent Parcel Information Reported as of Equalized Tax Roll of: June 30, 2013 (Date)

A. Total Number of Delinquent Parcels:	<u>5</u>
B. Total Amount of Special Taxes Due on Delinquent Parcels:	<u>\$6,679</u>

(Do not include penalties, penalty interest, etc.)

VI. FORECLOSURE INFORMATION FOR FISCAL YEAR

(Aggregate totals, if foreclosure commenced on same date)

Date Foreclosure Commenced	Total Number of Foreclosure Parcels	Total Amount of Tax Due on Foreclosure Parcels
No properties have met the foreclosure threshold.	N/A	\$-0-

