

**NEW ISSUE—FULL BOOK-ENTRY ONLY****NOT RATED**

In the opinion of Brown, Diven & Hentschke, San Diego, California, Bond Counsel, under existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is exempt from State of California personal income taxes, is excluded from gross income for purposes of income taxation by the United States of America, and is not an item of tax preference for purposes of the alternative minimum tax imposed by the United States on individuals and corporations, subject to certain qualifications more particularly described in the section of this Official Statement entitled "MISCELLANEOUS—Tax Exemption."

**\$2,235,000**

**City of San Diego  
Limited Obligation Improvement Bonds  
Assessment District No. 4030  
(Otay Mesa Industrial Park)**

**Dated: May 1, 1992****Due: September 2, as shown below**

The Bonds are issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) and are secured by unpaid assessments levied by the City of San Diego (the "City") in connection with Assessment District No. 4030 (Otay Mesa Industrial Park). The assessment proceedings are being undertaken pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code). The Bonds are being issued to finance the acquisition of various public improvements within the Assessment District, to fund the Reserve Fund, to make certain payments of interest on the Bonds and to pay certain costs of issuance in connection with the Bonds, as is more fully described herein.

The Bonds will be issued in book-entry form, initially registered in the name of Cede & Co., New York, New York, as nominee of The Depository Trust Company ("DTC"), New York, New York. Interest on the Bonds will be payable on March 2 and September 2 of each year, commencing September 2, 1992. Purchasers will not receive certificates representing their interest in the Bonds. Individual purchases will be in principal amounts of \$5,000 or in any integral multiples of \$5,000. Payments of principal and interest will be paid by Bank of America National Trust and Savings Association, San Francisco, California, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

The Bonds will mature on September 2 of each of the years and in the amounts as shown in the maturity schedule set forth below.

The Bonds are subject to optional redemption on March 2 or September 2 of any year, at a price equal to the principal thereof and the interest accrued thereon to the date of redemption (unless the Bond has been sooner surrendered), together with a premium, if applicable, as set forth herein. See "THE BONDS—Redemption Provisions" herein.

The principal of and interest on the Bonds are payable solely from moneys in the redemption fund established for the Bonds, and are secured by unpaid assessments as more fully described herein.

This cover page contains information for reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the section entitled "SPECIAL RISK FACTORS", for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

Under the provisions of the Improvement Bond Act of 1915, installments of principal and interest sufficient to meet annual debt service on the Bonds and for administrative expenses shall be included on the regular county tax bills for parcels of property against which there are unpaid assessments. The portion of the annual installments for the payment of principal and interest on the Bonds is to be paid into the Redemption Fund, to be held by the City Treasurer, and will be used to pay debt service on the Bonds as it becomes due.

**IF A DELINQUENCY OCCURS IN THE PAYMENT OF ANY ASSESSMENT INSTALLMENT, THE CITY WILL HAVE A DUTY ONLY TO TRANSFER INTO THE REDEMPTION FUND THE AMOUNT OF THE DELINQUENCY OUT OF THE RESERVE FUND. THIS DUTY OF THE CITY CONTINUES DURING THE PERIOD OF DELINQUENCY, BUT ONLY TO THE EXTENT FUNDS ARE AVAILABLE FROM THE RESERVE FUND, UNTIL REINSTATEMENT, REDEMPTION OR SALE OF THE DELINQUENT PROPERTY. THERE IS NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE AVAILABLE FROM THE RESERVE FUND FOR THIS PURPOSE. THUS, IF DURING THE PERIOD OF DELINQUENCY, THERE ARE INSUFFICIENT AVAILABLE FUNDS, A DELAY MAY OCCUR IN PAYMENTS TO THE OWNERS OF THE BONDS. THE CITY HAS DETERMINED THAT IT WILL NOT OBLIGATE ITSELF TO ADVANCE FUNDS FROM ITS TREASURY TO CURE ANY DEFICIENCY IN THE REDEMPTION FUND.**

To provide funds for payment of the Bonds and the interest thereon as a result of any delinquent installments, the City will establish a special Reserve Fund and deposit therein Bond proceeds in the amount specified herein. Additionally, the City has covenanted under certain circumstances to initiate judicial foreclosure in the event of a delinquency as more particularly described herein.

**NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE CITY, THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS.**

**MATURITY SCHEDULE**

<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity Date (September 2)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
1993 .....	\$ 55,000	5.50%	100%	2003 .....	\$105,000	7.50%	100%
1994 .....	60,000	5.75	100	2004 .....	115,000	7.60	100
1995 .....	60,000	6.00	100	2005 .....	120,000	7.70	100
1996 .....	65,000	6.25	100	2006 .....	130,000	7.80	100
1997 .....	70,000	6.50	100	2007 .....	140,000	7.85	100
1998 .....	75,000	6.75	100	2008 .....	150,000	7.90	100
1999 .....	80,000	7.00	100	2009 .....	165,000	7.95	100
2000 .....	85,000	7.20	100	2010 .....	175,000	7.95	100
2001 .....	90,000	7.30	100	2011 .....	190,000	7.95	100
2002 .....	100,000	7.40	100	2012 .....	205,000	7.95	100

(Plus accrued interest from May 1, 1992)

The Bonds are offered, when, as and if issued, subject to the approval of Brown, Diven & Hentschke, San Diego, California, Bond Counsel. Certain matters will be passed on for the Underwriters by their counsel, Nossaman, Guthner, Knox & Elliott, Los Angeles, California, and for the City by the City Attorney. It is anticipated that the Bonds will be available for delivery in book-entry form in New York, New York on or about May 28, 1992.

**PaineWebber Incorporated****Bancroft, Garcia & Lavell, Inc.**

Date: May 13, 1992

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City of San Diego and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the City. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City, the Project, the Assessment District or the major property owner since the date hereof.

The discussion and information herein relating to the Bonds, the Project, the Assessment District, the property owner and the City do not purport to be comprehensive or definitive. All references to the Bonds and the Project are qualified in their entirety by reference to the Engineer's Report and the City's resolutions setting forth the terms and descriptions thereof.

The information contained in this Official Statement has been compiled from sources believed to be reliable. The Official Statement contains estimates and matters of opinion which are not intended as representations of fact. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The summaries and references to any Code, Act, Resolution or Bond Indenture and to other statutes and documents in this Official Statement do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each statute and document.

IN CONNECTION WITH THIS BOND UNDERWRITING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS DESCRIBED HEREIN AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CITY OF SAN DIEGO**  
**San Diego County, California**

**CITY COUNCIL**

**Maureen O'Connor, Mayor**

**Robert Filner, Member**  
**George Stevens, Member**  
**Judy McCarty, Member**  
**John Hartley, Member**

**Tom Behr, Member**  
**Ron Roberts, Deputy Mayor**  
**Valerie Stallings, Member**  
**Abbe Wolfsheimer, Member**

**CITY OFFICIALS**

**City Manager, Jack McGrory**  
**City Treasurer, Conny M. Jamison**  
**City Clerk, Charles G. Abdelnour**  
**City Engineer, M. Victor Rollinger**  
**City Attorney, John Witt, Esq.**  
**Superintendent of Streets, Steven W. Wallace**

**PROFESSIONAL SERVICES**

**Bond Counsel**

**Brown, Diven & Hentschke, San Diego, California**

**Assessment Engineer**

**NBS/Lowry, Incorporated, San Diego, California**

**Financial Consultants**

**Evensen Dodge, Inc.**

**San Francisco and Costa Mesa, California**

**and**

**Daniels & Bell, Inc.**

**Seattle, Washington**

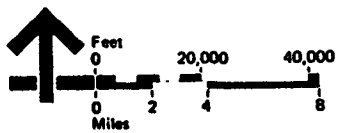
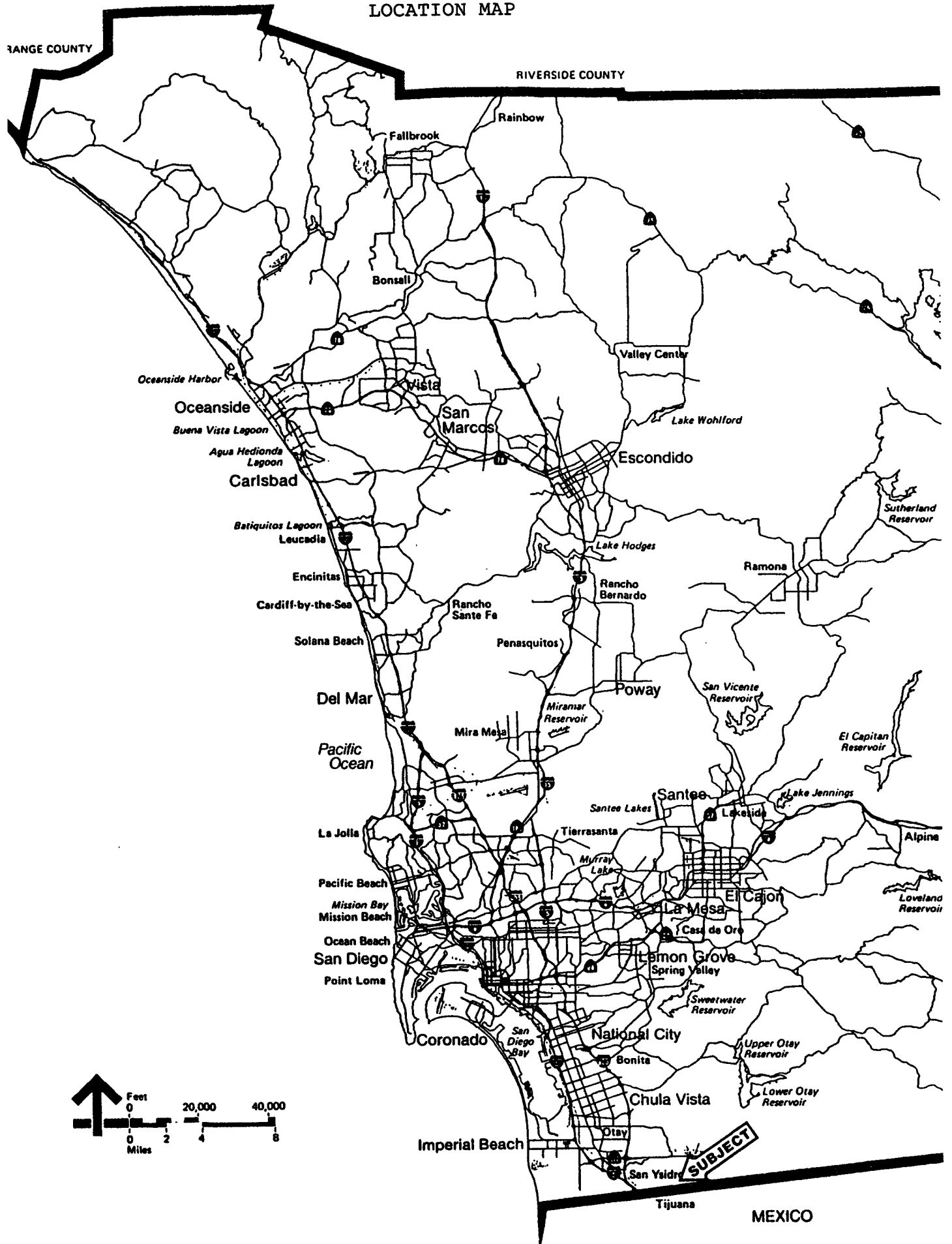
**Paying Agent, Registrar and Transfer Agent**

**Bank of America National Trust and Savings Association**  
**San Francisco, California**

# LOCATION MAP

SAN DIEGO COUNTY

RIVERSIDE COUNTY



**SUBJECT**

Tijuana

MEXICO

## TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
ESTIMATED SOURCES AND USES.....	3
THE BONDS.....	4
Authority for Issuance.....	4
Purpose of the Bonds.....	4
Description of the Bonds.....	4
Redemption Provisions.....	5
Covenants of the City Regarding	
Arbitrage and Rebate.....	7
Disposition of Surplus from the	
Improvement Fund.....	7
Book-Entry Only System.....	7
DEBT SERVICE SCHEDULE.....	11
SECURITY FOR THE BONDS.....	12
General.....	12
Estimated Lien Ratios.....	13
Reserve Fund.....	14
Covenant for Superior Court Foreclosure.....	15
THE ASSESSMENT DISTRICT.....	17
Description of Project.....	17
Location and Terrain.....	17
Summary of Assessment Procedure.....	17
Environmental Review.....	18
Method of Assessment.....	19
Land Use and Zoning.....	21
Otay Mesa Community Plan and the	
Development District.....	23
The Acquisition Agreement.....	24
Land Ownership and Future Development.....	25
Prior Assessments.....	28
Tax Delinquency.....	28
Assessment Diagram.....	28
Estimated Project Costs	
and Uses of Funds.....	29
Assessment District Litigation.....	29
Estimated Direct and Overlapping	
Bonded Debt.....	30

	<u>Page</u>
SPECIAL RISK FACTORS.....	31
Limited Obligations.....	31
Tax Delinquencies.....	31
Bankruptcy and Foreclosure.....	32
Price Realized Upon Foreclosure.....	34
Availability of Funds to Pay Delinquent Assessment Installments.....	35
Limited City Obligation Upon Delinquency.....	36
Future Land Development.....	36
Drought Conditions.....	38
Direct and Overlapping Indebtedness.....	38
Land Values.....	38
Absence of Market for the Bonds.....	41
Loss of Tax Exemption.....	41
Concentration of Property Ownership.....	42
Competing Projects.....	42
MISCELLANEOUS.....	44
No Litigation.....	44
Approval of Legality.....	44
Tax Exemption.....	44
No Rating.....	45
Underwriting.....	45
Financial Consultants.....	45
Additional Information.....	46
Appendix I - The City of San Diego	
Appendix II - Assessment Diagram	
Appendix III - Excerpts from the Appraisal Report	
Appendix IV - Table of Assessments and Estimated Lien Ratios	
Appendix V - Form of Opinion of Bond Counsel	

**\$2,235,000**  
**CITY OF SAN DIEGO**  
**LIMITED OBLIGATION IMPROVEMENT BONDS**  
**ASSESSMENT DISTRICT NO. 4030**  
**(OTAY MESA INDUSTRIAL PARK PROJECT)**

**INTRODUCTION**

This Official Statement is provided to furnish information relating to the City of San Diego, California (the "City"), a charter city and municipal corporation, in connection with the issuance of the City's \$2,235,000 principal amount of Limited Obligation Improvement Bonds, Assessment District No. 4030 (Otay Mesa Industrial Park Project) (the "Bonds"). The Bonds are being issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "1915 Act") and the assessment proceedings for Assessment District No. 4030 (Otay Mesa Industrial Park Project) (the "Assessment District"), and a Bond Indenture of the City, dated as of April 21, 1992 (the "Bond Indenture"). The proceedings for the Assessment District are being conducted pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act") and the City's Procedural Ordinance of 1982 (the "Ordinance").

The proceeds from the sale of the Bonds will be used by the City to fund the acquisition of public works, including street, water, sewer and storm drain together with appurtenances and appurtenant work (the "Project"), to fund a special reserve fund (the "Reserve Fund") and to pay costs related to the issuance of the Bonds.

The Project to be acquired is located in an industrial project covering approximately 40 acres, situated northwest of the intersection of Otay Mesa Road and La Media Road, in the City of San Diego's Otay Mesa Development District. This area is rapidly developing as the City's most significant industrial area. (See the section herein entitled "THE ASSESSMENT DISTRICT - Land Use and Zoning.") The City and the major owner of land within the Assessment District, Otay Mesa Investments, a California general partnership (the "Landowner/Developer"), have entered into an agreement (the "Acquisition Agreement"), as provided for by the 1913 Act, which provides that upon completion of construction of specified improvements, the City will initiate proceedings for the acquisition of such improvements. (See the section herein entitled "THE ASSESSMENT DISTRICT - The Acquisition Agreement.")

The Assessment District is located within the Otay Mesa Community Planning Area which comprises approximately 3,500 acres under the jurisdiction of the City of San Diego. The Assessment District is divided into 22 lots ranging in size from 0.94 acres to 4.63 acres. Of the total 40 acres, approximately 31 acres are useable.

Based on an opinion of value of Ohrmund Land Co. (the "Appraiser"), dated June 15, 1991, as last supplemented on April 15, 1992 (the "Appraisal Report"), the estimated aggregate fair market value of the fee simple interest of the parcels with unpaid assessments, based on a bulk sale and assuming construction of the Project, as of April 15, 1992, was \$6,945,000, based on a retail appraised value of the 22 lots of \$10,231,350 reduced by a discounted cash flow of approximately 32%. The resulting value to lien ratio of combined land and improvements to the amount of assessments of \$2,235,000 (without including prior liens referenced in the Section captioned "SPECIAL RISK FACTORS - Direct and Overlapping Indebtedness") is approximately 3.1:1. For a further discussion of the Appraisal Report and the value-to-lien ratio, see "SPECIAL RISK FACTORS - Land Values", "APPENDIX III - EXCERPTS FROM THE APPRAISAL REPORT" and "APPENDIX IV - TABLE OF ASSESSMENTS AND ESTIMATED LIEN RATIOS."

The Bonds are payable from the annual assessment installments collected on the regular property tax bills sent to owners of property having unpaid assessments levied against land benefited by the Project. (See the section herein entitled "SECURITY FOR THE BONDS.") In the event of a delinquency in the payment of any installment of an assessment, the City will transfer from the Reserve Fund (established from Bond proceeds), to the extent funds are available in such Reserve Fund, to the fund from which principal and interest payments on the Bonds are made (the "Redemption Fund") the amount necessary to pay the next maturing installment of principal and interest on the Bonds. The Reserve Fund will be established in an amount equal to the lesser of (i) ten percent (10%) of the principal amount of the Bonds issued; (ii) Maximum Annual Debt Service on the Bonds; or (iii) 125% of Average Annual Debt Service on the Bonds (as those terms are defined herein and in the Bond Indenture). (See "SECURITY FOR THE BONDS - Reserve Fund" herein.)

As of December 10, 1991, all property taxes on the parcels included in the Assessment District were current. The Landowner/Developer has certified to the City that all property tax payments on the land within the Assessment District and due on April 10, 1992, have been paid in full.



The public hearing on the proposed assessments was held by the City Council of the City on April 21, 1992, at which time the assessments were confirmed and the cash collection period was waived. None of the assessments have been prepaid prior to the date of issuance of the Bonds.

As authorized by Section 8769 of the 1915 Act, the City has determined not to obligate itself to advance any available funds from the City Treasury to cure any deficiency or delinquency which may occur in the Redemption Fund by failure of property owners to pay annual special assessments.

**THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE CITY NOR THE STATE HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT THEREOF.**

See the section herein entitled "SPECIAL RISK FACTORS" for a discussion of special factors which should be considered, in addition to the other matters set forth herein, in considering the investment quality of the Bonds.

The discussions and information herein do not purport to be comprehensive or definitive. All references to the Bonds and the assessment proceedings are qualified in their entirety by reference to the City's resolutions and the Bond Indenture setting forth the terms and descriptions thereof.

**ESTIMATED SOURCES AND USES**

The proceeds to be received from the sale of the Bonds are anticipated to be applied as follows:

**SOURCES:**

Principal Amount of Bonds.....	\$2,235,000.00
Underwriter's Discount.....	(64,815.00)
Accrued Interest.....	<u>12,503.06</u>
<b>TOTAL SOURCES:</b>	<b>\$2,182,688.06</b>

**USES:**

Improvement Fund (1).....	\$1,903,155.82
Reserve Fund.....	223,500.00
Redemption Fund (2).....	<u>56,032.24</u>
<b>TOTAL USES:</b>	<b><u>\$2,182,688.06</u></b>

- (1) Includes Costs of Issuance of approximately \$87,683.
- (2) Includes accrued interest on the Bonds from May 1, 1992, until May 28, 1992, and capitalized interest on the Bonds from May 28, 1992 until September 2, 1992.

## **THE BONDS**

### **Authority for Issuance**

The improvement proceedings for the Assessment District were initiated by adoption by the City Council of the City of San Diego (the "City Council") of Resolution No. 279524 (the "Resolution of Intention") on March 16, 1992. The proceedings are being conducted pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code) (the "1913 Act") and the City's Procedural Ordinance of 1982. The Bonds will be secured by unpaid assessments levied against private property in the Assessment District in accordance with the provisions of the 1913 Act, and will be issued pursuant to the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) (the "1915 Act"). (The 1913 and the 1915 Acts are herein together referred to as the "Bond Law".) The Bonds are being issued pursuant to the Bond Indenture.

### **Purpose of the Bonds**

The Bonds are authorized for the purpose of providing funds for the acquisition of public improvements, including street, water, sewer and storm drain improvements, together with appurtenances and appurtenant work, as more fully described in the section herein entitled "THE ASSESSMENT DISTRICT."

### **Description of the Bonds**

The Bonds will be dated as of May 1, 1992, and will bear interest from that date at the rates, and mature in the amounts and on the dates, as set forth in the Maturity Schedule below. The Bonds will be issued as fully registered Bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest on the Bonds will be payable semiannually on March 2 and September 2 of each year, commencing September 2, 1992. Principal and premium, if any, of the Bonds is payable at the principal trust office of Bank of America National Trust and Savings Association (the "Paying Agent") in San Francisco, California, and interest thereon is payable by check or draft mailed to the respective registered owners. The City is authorized, in the Bond Indenture, to designate by subsequent resolution such other paying agent, registrar or transfer agent as it may select.

## MATURITY SCHEDULE

<u>Maturity Date</u> <u>(September 2)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
1993	\$ 55,000	5.50%
1994	60,000	5.75
1995	60,000	6.00
1996	65,000	6.25
1997	70,000	6.50
1998	75,000	6.75
1999	80,000	7.00
2000	85,000	7.20
2001	90,000	7.30
2002	100,000	7.40
2003	105,000	7.50
2004	115,000	7.60
2005	120,000	7.70
2006	130,000	7.80
2007	140,000	7.85
2008	150,000	7.90
2009	165,000	7.95
2010	175,000	7.95
2011	190,000	7.95
2012	205,000	7.95

The Bonds are issued as fully registered bonds payable to the registered owners thereof. Transfer of ownership of a fully registered Bond or fully registered Bonds shall be made by exchanging the same for a new fully registered Bond or fully registered Bonds of the same maturity and in the same aggregate principal amount. All of such exchanges shall be made in such manner and upon such reasonable terms as may from time to time be determined and prescribed by the City; provided, however, that no such exchange shall be made between the fifteenth (15th) day preceding any interest payment date (March 2 and September 2) and such interest payment date.

### Redemption Provisions

The Bonds shall be subject to optional redemption and payment in advance of maturity, in whole or in part, on March 2 or September 2 in any year, from any source of funds, at the

following redemption prices, expressed as a percentage of the principal amount redeemed, together with accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
On or prior to September 2, 2002	103%
March 2, 2003, and September 2, 2003	102
March 2, 2004, and September 2, 2004	101
March 2, 2005, and thereafter.	100

If less than all outstanding Bonds are called for optional redemption, the City not less than forty-five (45) days prior to the redemption date shall select Bonds for redemption in such a way that the ratio of outstanding Bonds to issued Bonds shall be approximately the same in each annual maturity insofar as possible. Within each annual maturity Bonds shall be selected for redemption by lot.

If less than all of the outstanding Bonds are to be redeemed, the portion of any Bond of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and in selecting portions of such Bonds for redemption, the Paying Agent shall treat each such Bonds as representing that number of Bonds of \$5,000 denominations which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Notice of redemption of Bonds shall be provided at least thirty (30) days in advance of the redemption date by registered or certified mail or by personal service to the respective registered owners thereof at their addresses as they appear on the registration books of the Paying Agent. Neither the failure of any registered owner to receive redemption notice nor any defect in such notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Upon surrender of any Bond to be redeemed in part only, the Paying Agent shall authenticate and deliver to the owner, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered, with the same interest rate and the same maturity date. Such partial redemption shall be valid upon payment of the amount required to be paid to such owner, and the City and the Paying Agent shall be released and discharged thereupon from all liability to the extent of such payment.

## **Covenants of the City Regarding Arbitrage and Rebate**

The City has covenanted to take all actions necessary to comply with the provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, with respect to arbitrage and rebate of investment earnings to the United States of America, all as set forth in the Bond Indenture.

## **Disposition of Surplus from the Improvement Fund**

The amount of any surplus remaining in the Improvement Fund after payment in full for the acquisition of the Project and payment of all claims may, at the discretion of the City Council:

1. Be transferred to the General Fund of the City if the surplus does not exceed the lesser of one thousand dollars (\$1,000) or five percent (5%) of the total amount expended from the Improvement Fund;
2. Be applied as a credit on the assessment or refunded to the payer if such assessment has been paid in cash, all as provided in the 1913 Act; or
3. Be utilized for maintenance of the Project.

## **Book-Entry Only System**

The Depository Trust Company ("DTC"), New York, will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be executed and delivered for each Maturity Date of the Bonds, each in the aggregate principal amount due on such Maturity Date, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in

Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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, but Beneficial Owners are 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 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds may or may not be the Beneficial Owners. The 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer of the securities 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Paying Agent or other designated agent. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

In the event the City determines not to continue the DTC book-entry only system or DTC determines to discontinue its services with respect to the Bonds and the City does not select another qualified securities depository, the City shall deliver one or more Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfers and exchanges of Bonds will be governed by the provisions of the Bond Indenture.

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, THE PAYING AGENT WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER BONDHOLDER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT

THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE BONDS CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE CITY, THE PAYING AGENT AND THE UNDERWRITERS HAVE NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECTS OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE BONDS.

THE CITY, THE PAYING AGENT AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE BONDS RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER OR ANY PREPAYMENT NOTICES OR OTHER NOTICES TO THE BENEFICIAL HOLDERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, prepayment premium, if any, and interest with respect to the Bonds to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the City's understanding of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The City and the Paying Agent understand that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.



## DEBT SERVICE SCHEDULE

Set forth below is the schedule for payment of annual debt service on the Bonds, based on the interest rates set forth on the cover of this Official Statement.

<u>Year</u> <u>(September 2)</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Debt Service</u>
1992	\$ 0.00	\$ 56,032.24	\$ 56,032.24
1993	55,000.00	166,707.50	221,707.50
1994	60,000.00	163,682.50	223,682.50
1995	60,000.00	160,232.50	220,232.50
1996	65,000.00	156,632.50	221,632.50
1997	70,000.00	152,570.00	222,570.00
1998	75,000.00	148,020.00	223,020.00
1999	80,000.00	142,957.50	222,957.50
2000	85,000.00	137,357.50	222,357.50
2001	90,000.00	131,237.50	221,237.50
2002	100,000.00	124,667.50	224,667.50
2003	105,000.00	117,267.50	222,267.50
2004	115,000.00	109,392.50	224,392.50
2005	120,000.00	100,652.50	220,652.50
2006	130,000.00	91,412.50	221,412.50
2007	140,000.00	81,272.50	221,272.50
2008	150,000.00	70,282.50	220,282.50
2009	165,000.00	58,432.50	223,432.50
2010	175,000.00	45,315.00	220,315.00
2011	190,000.00	31,402.50	221,402.50
2012	<u>205,000.00</u>	<u>16,297.50</u>	<u>221,297.50</u>
<b>TOTALS:</b>	<b><u>\$2,235,000.00</u></b>	<b><u>\$2,261,824.74</u></b>	<b><u>\$4,496,824.74</u></b>

## SECURITY FOR THE BONDS

### General

The Bonds are secured by unpaid assessments levied against private property within the Assessment District pursuant to the assessment proceedings. Such unpaid assessments (together with interest thereon) and moneys in the Redemption Fund constitute a trust fund for the redemption and payment of the principal of and interest on the Bonds. Principal of and interest on the Bonds are payable exclusively out of the Redemption Fund. The Reserve Fund is also a trust fund for the benefit of the registered owners of the Bonds. (See the subsection herein entitled "Reserve Fund".)

**THE BONDS ARE NOT SECURED BY THE GENERAL TAXING POWER OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE CITY NOR THE STATE HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT THEREOF.**

The assessment and each installment thereof and any interest and penalties thereon constitute a lien against the parcels of land on which it is levied until the same is paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the same property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is co-equal to and independent of the lien for general property taxes and special taxes. There are prior special assessment liens or special taxes against the parcels in the Assessment District. See "THE ASSESSMENT DISTRICT - 'Prior Assessments' and 'Estimated Direct and Overlapping Bonded Debt.'"

Although the unpaid assessments constitute liens on assessed parcels, they do not constitute a personal indebtedness of the respective property owners. There is no assurance that property owners will be financially able to pay their assessments or that they will pay such assessment installments even if financially able to do so.

Under provisions of the 1915 Act, installments sufficient to meet annual payments of principal and interest on the Bonds are to be collected on the regular property tax bills sent to owners of property against which there are unpaid assessments. These annual installments are to be paid into the Redemption Fund which will be held by the City Treasurer and used to pay the principal of and interest on the Bonds as they become due. The installment billed against each property each year represents a pro rata share of the total principal and

interest coming due on all of the Bonds that year. The amount billed against each property is based on the percentage which the unpaid assessment against the property bears to the total of unpaid assessments in the Assessment District, plus an administrative charge of the City. The failure of a property owner to pay an annual assessment installment will not result in an increase in assessment installments against other property in the Assessment District.

In the event of delinquency in the payment of any installment of an unpaid assessment, the City will, to the extent that funds are available therein, transfer from the Reserve Fund to the Redemption Fund the amount necessary to pay the next maturing installment of principal and interest on the Bonds. In the event of delinquency in the payment of any installment of an unpaid assessment, the City also has covenanted to institute superior court foreclosure proceedings to enforce payment of a delinquent assessment installment.

As authorized by Section 8769 of the 1915 Act, the City has determined not to obligate itself to advance any available funds from the City Treasury to cover any deficiency or delinquency which may occur in the Redemption Fund by failure of property owners to pay annual special assessments. This determination by the City does not prevent the City, in its sole discretion, from so advancing such funds.

#### **Estimated Lien Ratios**

Estimated lien ratios for each parcel in the Assessment District are set forth in APPENDIX IV to this Official Statement, together with the amount of the appraised value and confirmed assessment for each parcel. The lien ratios are arrived at by dividing the appraiser's estimated value by the confirmed assessment amount.

In all cases the "estimated value" includes the existing improvements to be acquired from Bond proceeds, but does not include the value of building improvements constructed on various parcels in the Assessment District. The Appraisal Report is excerpted in APPENDIX III to this Official Statement. The complete Appraisal Report may be reviewed in the office of the City Clerk.

The assessment parcels have been appraised to provide an accurate estimate of value of the parcels in the Assessment District. The Assessment District consists of 22 assessment parcels. All contemplated Assessment District improvements will have been provided to the assessment parcels in this assessment proceeding. The value-to-lien ratios on the

assessment parcels, based on their individual retail value, range from 4.38:1 to 4.84:1, and on a bulk sale basis equals 3.11:1, all as shown in APPENDIX IV.

There is no assurance that, in the event of a foreclosure sale for a delinquent assessment installment, any bid will be received for such property or that any bid received will be sufficient to pay such delinquent installment. (See the section herein entitled "SPECIAL RISK FACTORS.")

### **Reserve Fund**

Pursuant to the 1915 Act and the Bond Indenture, a Reserve Fund in an amount equal to the lesser of (i) the lesser of ten percent (10%) of the principal amount of the Bonds Outstanding or ten percent (10%) of the original principal amount of Bonds less any original issue discount, (ii) Maximum Annual Debt Service on the Bonds, or (iii) 125% of Average Annual Debt Service on the Bonds (as those terms are defined below and in the Bond Indenture) (the "Reserve Requirement"), will be established from the proceeds of the sale of the Bonds. Initially, the Reserve Requirement is \$223,500. The Reserve Fund shall be maintained, used, transferred, reimbursed and liquidated as follows:

(a) Whenever there are insufficient funds in the Redemption Fund to pay the next maturing installment of principal or interest on the Bonds, an amount necessary to make up such deficiency shall be transferred from the Reserve Fund to the Redemption Fund. The amounts so advanced shall be reimbursed from the proceeds of redemption or sale of the parcels for which payment of delinquent installments of assessments and interest thereon has been made from the Reserve Fund.

(b) In the event an unpaid assessment is paid in cash in advance of the final Bond maturity date, the City is required to credit such Prepaid Assessment with a proportionate share of the Reserve Fund, thus reducing the total amount of the reserve Fund.

(c) Interest earned on permitted investments of Reserve Fund moneys shall remain in the Reserve Fund to maintain it at an amount equal to the Reserve Requirement. The term "Maximum Annual Debt Service on the Bonds" means the sum of (1) the interest falling due on then outstanding Bonds, assuming that all then outstanding Bonds are retired as scheduled, and (2) the principal amount of then outstanding Bonds falling due by their terms, all as computed for the twelve-month period ending September 2 in which such sum is largest. The term "Average Annual Debt Service on the Bonds" means the average of such sum during the term of the Bonds. The Treasurer shall determine if there is any amount in the

Reserve Fund in excess of the Reserve Requirement as of June 30 of each year, and shall transfer any such excess to the Redemption Fund by September 15 of such year in the manner provided in Part 16 of the 1915 Act.

(d) Any excess in the Reserve Fund transferred by the Treasurer to the Redemption Fund shall be used to redeem Bonds or credit to unpaid assessments each year during which any part of the Bonds remain outstanding. The auditor's record prepared pursuant to Section 8682 of the Bond Law shall reflect credits against each of the unpaid assessments in the manner provided in Section 10427.1 of the Bond Law in amounts equal to each assessment parcel's proportionate share of any Reserve Fund disbursement.

(e) Except as provided above, no Reserve Fund disbursement shall be made which would cause the Reserve Fund to fall below the Reserve Requirement.

(f) All sums remaining in the Reserve Fund in the year in which the last installments of the assessments become due and payable shall be credited toward the assessments as provided in the Bond Law.

The need to make advances from the Reserve Fund may result in its total depletion prior to reimbursement from resales of property or delinquency redemptions. In that event, there could be a delay in payments to owners of the Bonds.

In the event there are insufficient funds to pay in full the amount owing and unpaid upon the Bonds, and the City Council determines that such shortage of funds will, in all likelihood, not be corrected (through sale or redemption of property), then the payment of such principal and interest shall be made ratably to the aggregate of such principal and interest then due without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest.

The City has no obligation to replenish the Reserve Fund except to the extent that delinquent assessments are paid or proceeds from foreclosure sales are realized.

#### **Covenant for Superior Court Foreclosure**

In the event of delinquency in the payment of any installment of an unpaid assessment, the City is empowered to order institution of an action in the Superior Court of the State to foreclose the lien of such delinquent assessment, as

authorized in the 1915 Act. In such action the real property subject to the delinquent unpaid assessment may be sold at judicial foreclosure sale.

Prior to July 1, 1983, the right of redemption from foreclosure sales was limited to a period of one year from the date of sale. Under legislation effective July 1, 1983, the statutory right of redemption from such foreclosure sales has been repealed. However, a period of 140 days must elapse after a court adjudges and decrees a lien against the lot or parcel of land covered by an assessment before the sale of such parcel can be given. Furthermore, if the purchaser at the sale is the judgment creditor, i.e., the City, an action may be commenced by the delinquent property owner within 6 months after the date of sale to set aside such sale. The constitutionality of the aforementioned legislation which repeals the one year redemption period has not been tested and there can be no assurance that, if tested, such legislation will be upheld.

Although judicial foreclosure proceedings are not mandatory, pursuant to the Bond Indenture the City will covenant with the registered Bond owners that it will cause to be commenced, and thereafter prosecuted, court foreclosure proceedings upon any parcel against which there is a delinquent unpaid assessment (plus costs, penalties and interest), as authorized by law. This covenant provides that such foreclosure proceedings shall be commenced within 150 days following the date of such delinquency and that it will be diligently prosecuted to final judgment and sale. Commencement of such foreclosure proceedings may be deferred by the City, however, if funds are advanced to the Reserve Fund sufficient to maintain the Reserve Fund in an amount equal to the Reserve Requirement.

In the event a Superior Court foreclosure or foreclosures are necessary, there could be a delay in payments to owners of the Bonds pending prosecution of the foreclosure proceedings and receipt by the City of the proceeds of the foreclosure sale. It is possible that no bid would be received at the foreclosure sale, and in such event there could be additional delay in payment of the principal of and interest on Bonds or such payment may not be made in full.

See the section herein entitled "SPECIAL RISK FACTORS - Price Realized Upon Foreclosure" for a discussion of the certain circumstances under which property to be sold upon foreclosure may be sold for less than delinquent installments of principal and interest of an assessment.

## **THE ASSESSMENT DISTRICT**

### **Description of Project**

The City has undertaken to conduct assessment district proceedings to provide for the acquisition of certain public improvements for the benefit of land within the Assessment District. The public improvements to be financed through these assessment district proceedings are the acquisition of public works, including street, sidewalk, water, sewer and storm drain improvements, together with appurtenances and appurtenant work and incidental costs and expenses related thereto (collectively referred to as the "Project"). The Project was completed as of December 10, 1991.

The Project is to be acquired pursuant to the Acquisition Agreement. (See "The Acquisition Agreement" below.)

### **Location and Terrain**

Situated in the southern part of the City of San Diego in the area known as Otay Mesa, the Assessment District is an industrial project situated northwest of the intersection of Otay Mesa Road and La Media Road, in the north central portion of Otay Mesa adjacent to the Brown Field Airport. Total Assessment District area is approximately 40 acres, all within the city limits of the City.

The Assessment District is flat in terrain.

### **Summary of Assessment Procedure**

Pursuant to the proceedings being used by the City for formation of the Assessment District, all costs are either estimated or ascertained prior to doing the work or making the acquisition of the improvements or property involved. Under such proceedings, the assessments are then levied, cash collections of the assessments made (the "Cash Collections") and Bonds sold to represent unpaid assessments. The money obtained from Cash Collections and Bond proceeds are used by the City to pay for the work to be done, for the property or rights of way to be acquired and for incidental expenses.

Proceedings can be initiated by either a petition or by the City Council without a petition. The Assessment District was initiated by a petition of Otay Mesa Investments, a California general partnership (the "Landowner/Developer"). The City and the Landowner/Developer then entered into the Acquisition Agreement establishing the terms for acquisition of

the public improvements by the City. Thereafter, the Landowner/Developer caused improvements, and is causing improvements, to be constructed pursuant to the terms of the Acquisition Agreement. NBS/Lowry, Incorporated (the "Assessment Engineer") prepared a written report (the "Engineer's Report") which contains, among other things, the estimate of Project costs and the assessment for each parcel to be benefited. The total amount of the proposed assessment was based upon the completed cost of the Project. The individual assessments were spread among the various parcels of land within the Assessment District on the basis of the special benefit to be derived by each parcel from the Project. (See "Method of Assessment" herein.)

The Engineer's Report was filed and preliminarily approved by the City Council on March 16, 1992. Thereafter, notice was published in a local newspaper designated by the City Council for that purpose. Notice was also posted along all of the open streets within the Assessment District. In addition, notice of the proposed assessment was mailed to each of the owners whose property was proposed to be assessed.

Property owners had the right to file written protests prior to or at the commencement of the hearing and to be heard at the hearing. No written protests were filed by owners of property within the District and no oral protests were presented at the hearing.

A public hearing on these matters was held by the City Council of the City on April 21, 1992. At the conclusion of the hearing, the City Council, after making any necessary modifications and overruling protests, adopted resolutions confirming the assessments, overruling protests and ordering the work. Confirmation and recordation of the Assessment Diagram in the Office of the Superintendent of Streets and filing with the County Recorder have occurred, and the assessments have become liens against the various assessed parcels. The property owners have been given published and mailed notice of the opportunity to pay all or a portion of the assessment in cash within 30 days of the recording of the assessment. The notice further advised the property owners that if a cash payment is not made, Bonds would be sold to represent unpaid assessments. The cash payment period was waived by the owners of all of the land within the Assessment District, and none of the assessments were prepaid at that time.

#### Environmental Review

A Phase I Environmental Site Assessment for potential hazardous materials/waste contamination was completed for the



Assessment District on June 7, 1991 by Leighton & Associates, Inc. The report summarized that the site did not contain evidence of hazardous materials/waste usage or soil/ground water contamination, and that the potential for the site to be effected from outside sources was low because there are no reported unauthorized contamination sources located within one-quarter of a mile of the Assessment District.

The City, acting through the Subdivision Board, completed an environmental review of the Project. A mitigated negative declaration was certified by the Subdivision Board on March 17, 1986, as it was determined that the Project will not have significant adverse impacts which are not mitigable.

#### **Method of Assessment**

The law requires and the statutes provide that assessments, as levied pursuant to the provisions of the 1913 Act, must be based on the special benefits that the properties receive from the works of improvement. The statute does not specify the method or formula that should be used in any special assessment district proceedings. This responsibility rests with the Assessment Engineer, who is retained for the purpose of making an analysis of the facts and determining the correct apportionment of the assessment obligation. For these proceedings, the City retained the services of NBS/Lowry, Incorporated, San Diego, California.

The Assessment Engineer makes its recommendation at the public hearing on the Assessment District, and the final authority and action rests with the City Council after hearing all testimony and evidence presented at that public hearing. Upon the conclusion of the public hearing, the City Council must take the final action in determining whether or not the assessment spread has been made in direct proportion to the benefits received. Such action has now been taken and the assessment has now been confirmed in these proceedings.

The overall benefit derived by the properties within the proposed boundary of the assessment district is the construction of the public improvements, which will enable the properties to develop. The public improvements include street, water, sewer, drainage, and public utility improvements. The properties within the assessment district boundary are currently partially developed.

The assessment method and formula was based on the ultimate land use contained in the San Diego Planning Commission Resolution No. 6581 approving the Tentative Map

85-0834 for Otay Mesa Industrial Center. The land use approved for this project is consistent with the City of San Diego General Plan and the Otay Mesa Community Plan which designates the area for general industrial use. The entire Otay Mesa Business Park has been given a General Industrial land use classification by the City of San Diego, and as a result, an assessment spread relating to net usable acreage is equitable to all properties involved and for all facilities being funded. The approach used by the Assessment Engineer for the basic spread method in this assessment district was to establish facility usage factors related to acreage of each parcel as presented below:

FACILITY	FACTOR
Street	130/Trips/Day/Net Usable Acre
Sewer	5000 Gallons/Day/Net Usable Acre
Water	Use/Net Usable Acre
Drainage	Use/Net Usable Acre

The street apportionment factors were established for the general industrial land use by using the traffic generation rates recommended by the City of San Diego. The factors are given in units of trips per net usable acre, per day.

The apportionment factors for sewer facilities are simply the sewage generation rates that the City of San Diego has established for industrial land use. The factors are given in units of gallons per net usable acre, per day.

Due to the fact that all proposed uses within the District are industrial, required fire flow is the water usage rate which determines the water facility sizes throughout the district. As the required fire flow for any parcel is in direct proportion to the size of the parcel, the cost of the water facilities to be constructed is spread on the basis of net usable acreage.

Drainage facility costs are also apportioned on the basis of acreage. The amount of storm water runoff that any parcel contributes to the drainage system is in direct proportion to that parcel's acreage.

Since all of the facility usage factors are based on net usable acreage, the assessment spread was based directly on the net usable area of each parcel.

## Land Use and Zoning

The Assessment District is covered by the City's General Plan and the Otay Mesa Community Plan (the "Community Plan"), and is included in the Otay Mesa Development District (the "Development District"). The land located within the Assessment District is zoned General Industrial.

Other than the completed Project, the remaining land within the Assessment District is currently undeveloped. The undeveloped land in the Assessment District may be developed in the future in a different manner than is currently anticipated.

For additional information on both zoning and proposed land use, see the section entitled "Land Ownership and Future Development" below.

*The Otay Mesa.* Otay Mesa is located along the U.S./Mexican border in southern San Diego. Otay Mesa encompasses approximately 20,600 acres, 5,800 acres within the City of San Diego and 14,800 under jurisdiction of San Diego County. Otay Mesa is bounded by the Otay River Valley on the north, the San Ysidro Mountains on the east, by the International Border on the south and Interstate Highway 805 on the west. The San Ysidro and Otay-Nestor communities are located immediately west of I-805.

Otay Mesa is comprised of generally level land, ranging in elevation from about 450 feet to more than 600 feet above sea level. The climate is semiarid, with wet winters and dry summers, similar to the weather prevailing in Southern California. Rainfall has averaged about 10 inches per year over the last 25 years. Temperature is moderate, with winter averages in the 50's and summer averages in the high 60's.

Historically, agriculture has long been the predominant land use in Otay mesa, and the soils in the area are suited for several (including out-of-season) crops. Currently, the area is one of the most productive in San Diego County.

The most significant activities center in Otay Mesa is Brown Field, a general aviation airport (with 8,000 feet of runway capable of handling the largest jets) occupying some 900 acres along the north side of Otay Mesa Road (2.5 miles east of I-805). Owned and operated by the City, access to Brown Field from I-5 and I-805 to the west (about 20 minutes from downtown San Diego) is by State Route 125 and Otay Mesa Road. The field is four miles east of the tracks of the San Diego, Arizona and State Eastern Railroad.

As well as being served by Brown Field, Otay Mesa also is directly served by Tijuana International Airport, bus carriers on Interstate 5 (the West Coast's major north-south interstate freeway running from the Mexican border to the Canadian border) and Interstate 805 (San Diego County's major inland, north-south freeway). San Diego International Airport is a few miles north as is the San Diego Harbor providing shipping to ports of call throughout the world.

A second border crossing gate has been constructed as an extension of State Route 125. This site relieves congestion near the Tijuana Airport and accommodates Tijuana growth in the Mesa de Otay, especially with its 1,000 acre industrial park immediately south of Otay Mesa, and provides support for the foreign trade zone.

The western portion of Otay Mesa, west of Brown Field, is zoned for residential use. The largest land owner is Pardee Construction Company which is currently engineering and planning the development of a residential community.

*Maquiladoras.* Maquiladoras are twin plant operations between the United States and Mexico. Such operations usually have raw material and/or parts manufactured in the United States, shipped to Mexico for manufacturing and/or assembly, then shipped back to the United States for final assembly/sale distribution. In Mexico, immediately southeast of the new Otay Mesa Border Crossing, many national and international companies have located twin plant operations on a 1,000 acre industrial park. Some of these include: Bour Parker Hannifan, Clayton Industries, Johnson & Johnson, Rentco, San Matsushita, General Mills, Mattel Toys, Proctor & Gamble, Diamond Products, Systems, Mitsubishi, Honeywell, Hitachi, Tomita Electric Corporation, Toc America Corporation, Sanoh Manufacturing Corporation, Ohnmaba, Sumitomo, Ford, Rockwell International, McDonnell Douglas, General Electric, General Motors, RCA. To date, it is estimated that there are approximately 559 "maquiladoras" twin plant firms operating in Tijuana, and that 40 to 50 of these have twin plants in San Diego.

*Foreign Trade Zones.* A foreign trade zone ("FTZ") is a site within United States, located near a U.S. Customs port of entry, where foreign domestic merchandise is considered to be in international commerce. The purpose of an FTZ is to stimulate economic development in communities by providing businesses with facilities for conducting international trade activities and provide employment by encouraging activities in the United States which would otherwise be conducted outside this country. Merchandise may enter the FTZ without a formal Customs entry or payment of Custom duties or excise taxes. Merchandise entering a FTZ may be, among other things, assembled, manufactured, processed, relabeled and stored.

Firms use FTZ's to maintain cost competitiveness of U.S.-based operations vis-a-vis their foreign-based competitors. FTZ status provides an opportunity to reduce specific operating costs associated with a U.S. location that are avoided when operating from a foreign site: if a final FTZ product is exported from United States, no U.S. Customs duty or excise tax is levied; if, however, final product is imported into the United States, customs duty and excise tax are due only at the time of transfer from the FTZ and formal entry into the U.S., providing Customs duty savings to FTZ users. In addition, FTZ procedures provide flexible methods of handling domestic and imported merchandise.

As of September 1, 1986, there were 127 general-purpose FTZ and sub-zones, representing over \$31.6 billion in trade.

The City, through its Economic Development Division, made application for FTZ designations located within Otay Mesa near the Second Border crossing November of 1986. Approvals by the U.S. Commerce Department's Foreign Trade Zones Board and by U.S. Customs Service were received by the City in August 1988. In addition to some 2,000 new jobs anticipated to be created by the FTZ's, it is estimated that the FTZ designation will bring approximately \$111 million increased revenues to the area. The FTZ is operated as a public entity.

#### Otay Mesa Community Plan and the Development District

The following summary discussions of selected features of the City's Otay Mesa Community Plan and the Development District are made subject to all of the provisions of those documents. This summary discussion does not purport to be a complete statement of such provisions and prospective purchasers of the Bonds are referred to the complete text of the Community Plan Agreement, copies of which are available for inspection at the office of the Street Superintendent of the City, 1222 First Avenue, M.S. 507, San Diego, California 92101.

*The Community Plan.* The City Council of the City adopted the Otay Mesa Community Plan by Resolution No. 254072 on April 27, 1981 (the "Community Plan"). The purpose of the Community Plan is to provide a guide for public and private development through the year 2000, and includes goals and objectives for the community consistent with City-wide policy. The Community Plan recommends that 28% of Otay Mesa be devoted to industrial parks.

The Community Plan also calls for the preparation of precise plans for each proposed development unit.

*The Development District.* The Assessment District is located within Otay Mesa Development District. The Development District was created in 1986 by Ordinance No. 0-1673(NS) of the City Council of the City, effective January 15, 1987, as an amendment to the City's Municipal Code. The purpose of the Development District is to create and promote development of the City's largest and potentially most significant industrial area, and to control the use, development intensity and design of a primary industrial area which includes a large commercial subdistrict and a border station of mixed use. One objective is to expedite processing of development permit applications. It is intended that the Development District provide for a full range of industrial uses emphasizing base sector manufacturing, wholesaling and distributing assembly operations and support services.

The Development District is advised by a seven-member council appointed by the Mayor and confirmed by the City Council.

The Development District regulations detail requirements for the financing of public facilities to be located within the Development District and direct that project applicants either directly or by assessment district provide public facilities. The Acquisition Agreement between the City and the Landowner/Developer fulfill these requirements of the Municipal Code.

The standards set forth in the Municipal Code for the Development District specify lot development, landscaping, off-street loading and parking and minimum design requirements.

#### **The Acquisition Agreement**

California law authorizes the financing and construction of public improvements by a private party and the acquisition by a public agency of such improvements. The Landowner/Developer in the Assessment District, in order to proceed in a timely manner, has constructed and is constructing such public improvements and has entered into an agreement, dated April 10, 1989, with the City (the "Acquisition Agreement") for purchase by the City of title to all of the improvements constituting the Project, including reimbursement to the Landowner/Developer for costs of incidental expenses for preparation of plans and specifications and engineering services. The Acquisition Agreement further provides that upon sale of the Bonds, proceeds will be paid for the Project to persons having an interest in the land located within the Assessment District in proportion to such ownership.

## Land Ownership and Future Development

The following specific information regarding ownership of assessed parcels in the Assessment District has been provided by the Landowner/Developer. This information is included because it may be relevant to an informed evaluation of the Project and the security for the Bonds. However, no assurance can be given that ownership of one or more of such parcels will not be changed or that the projects planned by the Landowner/Developer will occur. See the section of this Official Statement entitled "SPECIAL RISK FACTORS - Future Land Development." This information should not be construed to suggest that the Bonds or the assessments securing the Bonds are personal obligations of the Landowner/Developer.

The Landowner/Developer, Otay Mesa Investments, a California general partnership, currently owns all of the property within the Assessment District. In regards to the formation of the Assessment District, the City has developed a policy which requires that the Landowner/Developer obtain the City's written consent prior to the sale of property: (i) to a purchaser who is delinquent on any current property tax payments in the County of San Diego, or (ii) on which at least twenty-five percent of the remaining total assessments in the Assessment District have been levied. As a condition to its consent, the City may require such purchaser to deposit a letter of credit, cash or some other acceptable instrument to secure payment of the annual assessments, or may require a prepayment of all or a part of the remaining assessments on the property subject to the sale. The City and the Landowner/Developer will execute an agreement to this effect prior to the issuance of the Bonds.

The partnership interests of the Landowner/Developer are as follows:

1. Allen Jaffe, Trustee of the Allen L. Jaffe 1982 Trust - 51.2%;
2. Roger Jaffe, Trustee of the Roger A. Jaffe Family Trust - 25.0%;
3. Allen Jaffe, Trustee of the Gladys Jaffe Residuary Trust - 17.5%; and
4. Lawrence Jaffe, Trustee of the Lawrence James Jaffe and Eugenia Jaffe Trust - 6.3%.

Allen Jaffe has been in the construction and development business since 1960, and since 1974 has been the

Managing General Partner of Piedmont Construction Company, a California general partnership ("Piedmont"), San Diego, California. Piedmont was founded by Sidney Jaffe, father of Allen Jaffe, in 1938, and was moved to San Diego in 1951. Since 1974, Allen Jaffe has been responsible for the development of 700 acres of residential land and 120 acres of industrial property, including the construction of approximately 400 homes, 1,000 apartment units, 300,000 square feet of industrial building space and 90,000 square feet of office building space. Piedmont serves as the contractor for the Jaffe family projects, and also manages certain projects owned by the various Jaffe family partnerships.

It has been the practice of the Jaffe family partnerships to develop their projects without joint venture partners. The various Jaffe family partnerships consist of the following:

1. OTAY MESA INVESTMENTS owns 40 acres of industrial property in the Assessment District. This property has been subdivided into 22 lots of from one to four acres. The Landowner/Developer currently intends to sell some of the lots and develop the remaining lots on a build-to-suit and/or speculative basis. The Landowner/Developer has received a letter from the Otay Water District that water service for the project will be available.

2. SAN DIEGO INVESTMENTS ("SDI") owns a 21,000 sq. ft. business/medical/dental office building in San Diego, which was completed in 1973. The project is currently 85% leased. SDI also owns 53,000 sq. ft. of multi-tenant industrial space in El Cajon, completed in 1974, which is currently in escrow. A 22,000 sq. ft. industrial/commercial facility in La Mesa owned by SDI was completed in 1965, and is currently fully occupied.

3. KEARNY VILLA INVESTMENTS owns 123,000 sq. ft. of multi-tenant industrial space spread among six concrete tilt-up buildings on ten acres in the Kearny Mesa area of San Diego. The project was completed in 1978, and is currently fully occupied.

4. POWAY INDUSTRIAL PARK ("PIP") owns 55,000 sq. ft. of new concrete tilt-up industrial buildings in the City of Poway, located just north of the City of San Diego. Since completion in late 1991, 14,000 square feet of these buildings have been leased with proposals currently out for an additional 10,000 square feet of space. It is anticipated that this property will be fully leased by the end of 1992. PIP also owns a 3.6 acre lot next to these buildings which is already for development once a build-to-suit tenant is found.



5. JAFFE PROPERTIES owns 6,400 sq. ft. of multi-tenant industrial buildings in La Mesa, which has generally been fully occupied since completion in 1955.

6. POWAY PARK, INC. ("PPI") developed Country Squire Estates in Poway. PPI supervised this 100 acre project from land purchase through subdivision development, construction and sale of 75 upscale homes completed in 1989.

7. PIEDMONT PARK, INC. is an inactive corporation. PPI has been inactive since the completion in 1972 of a 100 home subdivision in San Diego, California.

8. GOVERNOR PARK IV LTD. owns a 41,000 sq. ft. low rise office building in the University City/Golden Triangle area of San Diego, completed in 1986. Due to a soft office rental market, occupancy is currently 70%.

9. LUELF RANCH PARTNERS ("LRP") is a general partnership with Allen Jaffe as a 60% general partner and Lawrence Jaffe as a 40% general partner. LRP currently owns, free and clear, 400 acres of residential property in the city of Ramona, located approximately 35 miles northeast of downtown San Diego. LRP is currently processing a 90-lot subdivision for this property, and anticipates constructing homes of 3,000 to 4,500 square feet on 1 1/2 acre to 12 acre lots. Actual lot development and home construction is anticipated to begin in early 1993.

The key individuals within the Jaffe family partnerships are:

SIDNEY JAFFE, father of Allen Jaffe and Larry Jaffe, founded Piedmont in 1938 and moved the business to San Diego in 1951, concentrating on building single family homes and apartments.

ALLEN JAFFE has been a general partner in Piedmont since 1960, and Managing General Partner since 1974. Mr. Jaffe received his Bachelor of Science degree in real estate and finance from San Diego State University in 1964. Mr. Jaffe has been a member of the San Diego Building Industrial Association since 1970, served on its Board of Directors from 1975 to 1983 and as President in 1981. Mr. Jaffe is a lifetime director of the California Building Industry Association, and will be the 1993 President of the Pacific Coast Builders Conference. Mr. Jaffe has sat on numerous boards in the San Diego area including the Otay Mesa Development Council and the Otay Mesa Property Owners Association, both organizations of which he has been Chairman.

LARRY JAFFE joined Piedmont in 1964 and is responsible for the leasing, maintenance and day-to-day operation of the Jaffe family's income property, including management of 62,000 sq. ft. of office space and 253,000 sq. ft. of multi-tenant industrial space.

ROGER JAFFE, the son of Allen Jaffe, has been with Piedmont since 1986, and received his Bachelors Degree from UCLA in computer science. His duties with Piedmont include construction estimating and bidding, job supervision, property management, financial management and computer programming.

### **Prior Assessments**

The assessment (and any reassessment) and each installment thereof and any interest and penalties thereon constitute a lien against the lots and parcels land on which they were imposed until the same are paid. Such lien is subordinate to all fixed special assessment liens previously imposed upon the property, but has priority over all existing and future private liens and over all fixed special assessment liens which may thereafter be created against the property. Such lien is coequal to and independent of the lien for general taxes. See "Estimated Direct and Overlapping Bonded Debt" below. There currently exists an assessment lien on the property levied in connection with the right-of-way acquisition for Otay Mesa Road. As of July 1, 1991, the outstanding principal balance of the lien on the property within the Assessment District was approximately \$36,814. The lien is scheduled to terminate in 1998.

### **Tax Delinquency**

As of December 10, 1991, all currently due property taxes upon land located within the Assessment District had been paid in full and no tax delinquencies existed. The Landowner/Developer has certified to the City that all property taxes on land within the Assessment District due April 10, 1992, have been paid in full.

### **Assessment Diagram**

As required by the 1913 Act, a diagram has been prepared showing the Assessment District and also the boundaries and dimensions of the respective subdivisions of land within said Assessment District, as the same existing at the time of the passage of the Resolution of Intention. Each of the lots, parcels, or subdivisions of land within the boundaries of the Assessment District is set forth in a list and numbered to correspond with the numbers on the diagram.

For a more particular description of each parcel, lot or subdivision, reference is made to said diagram, a copy of which is attached hereto as APPENDIX II.

**Estimated Project Costs and Uses of Funds**

The following table shows a summary of the construction and incidental costs of the Project. The Landowner/Developer contribution generally consists of improvements which could have been reimbursable under the Acquisition Agreement, but were not funded due to limitations on the total principal amount of Bonds issued.

**ESTIMATED PROJECT COSTS**

Construction

Total Improvements	\$2,101,287.00
Landowner/Developer Contribution	<u>(672,224.00)</u>
Cost of Improvements to be purchased	\$1,429,063.00

Incidental Expenses

Engineering, Surveying, Inspection, Fees, Interest, Appraisal	\$386,410.00
Costs of Issuance (including legal, consultants, publication, printing, and Paying Agent)	87,682.82
Bond Discount	64,815.00
Bond Reserve	223,500.00
Capitalized Interest	<u>43,529.18</u>

Total Incidental Expenses \$805,937.00

Total Estimated Costs to Assessments \$2,235,000.00

Assessments Relating to Cash Payments \$ 0.00

Net to Bond \$2,235,000.00

Source: Engineer's Report, NBS/Lowry, Incorporated and PaineWebber Incorporated.

**Assessment District Litigation**

There is no pending litigation seeking to enjoin the issuance, sale or delivery of the Bonds or affecting the security pledged therefore.

**Estimated Direct and Overlapping Bonded Debt**

The following tabulation estimates the direct and overlapping bonded debt of the property within the Assessment District as of April 28, 1992.

CITY OF SAN DIEGO ASSESSMENT DISTRICT #4030-1/

1991-92 Assessed Valuation: \$8,134,839

<u>DIRECT AND OVERLAPPING BONDED DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/92</u>
San Diego County Building Authorities	0.007%	\$23,350
San Diego County Water Authority	0.007	1,267
Metropolitan Water District	0.001	6,825
Otay Municipal Water District, I.D. #7	1.412	6,707
Sweetwater Union High School District Certificates of Participation	0.084	8,226
San Ysidro School District	0.822	1,850
San Diego Unified Port District	0.012	525
City of San Diego and Authorities	0.014	21,853
San Diego Open Space Park District	0.014	9,510
City of San Diego Assessment District #4030	100.	<u>2,235,000 (1)</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$2,315,113</b>
Less: San Diego Unified Port District		525
City of San Diego self-supporting bonds		2,864
San Diego Open Space Park District		<u>9,510</u>
<b>TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT</b>		<b>\$2,302,214</b>

(1) 1915 Act bonds to be sold.

Ratios to Assessed Valuation:

Direct Debt.....27.47%  
 Total Gross Debt.....28.46%  
 Total Net Debt.....28.30%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/91: \$54,931

SOURCE: California Municipal Statistics, Inc.

1/ See also "THE ASSESSMENT DISTRICT - Prior Assessments" herein for a description of certain other assessment liens on the property located within the Assessment District.

## **SPECIAL RISK FACTORS**

Development in the Assessment District can be influenced by such factors as general economic conditions, availability and cost of construction financing, competition from other developing areas in the region and other factors beyond the control of the property owners.

### **Limited Obligations**

The City's legal obligations with respect to any delinquent assessment installments are solely (1) advancing available funds from the Reserve Fund to the Redemption Fund, and (2) instituting judicial foreclosure proceedings, all set forth in Resolutions of the City.

As discussed in the "SECURITY FOR THE BONDS" section herein, in the event a delinquency in payment of any unpaid assessment installment, the City has no obligation to advance funds of the City, to purchase land at the delinquent assessment foreclosure sale, in the absence of any other bidder, or to pay future delinquent installments of assessments interest thereon.

### **Tax Delinquencies**

Under provisions of the Improvement Bond Act of 1915, assessment installments from which funds necessary for the payment of annual installments principal of and interest on the Bonds are derived will be billed to property against which there are unpaid assessments on the regular property tax bills to owners of such properties. Such assessment installments are due and payable and bear the same penalties and interest for nonpayment, as do regular property tax installments. Therefore, the unwillingness or inability of a property owner to pay regular property tax bills as evidenced by property tax delinquencies also indicates an unwillingness or inability to make regular property tax payment and assessment installment payments in the future.

In order to pay debt service on the Bonds, it is necessary that unpaid installments of assessments on land within the Assessment District be paid in a timely manner. Should the installments not be paid on time, the City has established a Reserve Fund to cover delinquencies. The assessments are secured by a lien on the parcels of land and the City can institute foreclosure proceedings to sell land in the Assessment district with delinquent installments for the amount of such delinquent installments in order to obtain funds to pay debt service on the Bonds.

Failure by owners of the parcels to pay installments of assessments when due, depletion of the Reserve fund, or the inability of the City to sell parcels which have been subject to foreclosure proceedings for amounts sufficient to cover the delinquent installments of assessments levied against such parcels may result in the inability of the City to make full or punctual payments of debt service on the Bonds and Bondowners would therefore be adversely affected.

Unpaid assessments do not constitute a personal indebtedness of the owners of the lots and parcels within the Assessment District. There is no assurance the owners will be able to pay the assessment installments or that they will pay such installments even though financially able to do so.

See the sections of the Official Statement entitled "SECURITY FOR BONDS - Reserve Fund" and "Covenant for Superior Court Foreclosure", for provisions which apply, and procedures which the City is obligated to follow, in event of a delinquency in the payment of assessment installments.

#### **Bankruptcy and Foreclosure**

The payment of assessments and the ability of the City to foreclose the lien of a delinquent unpaid assessment, as discussed in the section entitled "SECURITY FOR THE BONDS - Covenant to Commence Superior Court Foreclosure," may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by State law relating to judicial foreclosure. In addition, the prosecution of a foreclosure could be delayed due to congested local court calendars or procedural delays.

The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Although bankruptcy proceedings would not cause the assessments to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings and could result in delinquent assessment installments not being paid in full. Such a delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds.

The ability of the City to foreclose upon the lien relating to property on which assessments have not been paid may be limited in certain respects with regard to properties in which the Federal Deposit Insurance Corporation (the "FDIC") or the Resolution Trust Company (the "RTC") has an interest. On June 10, 1991 an RTC Statement of Policy Regarding the Payment of State and Local Real Property Taxes (the "Policy Statement") was issued. The FDIC has adopted a substantially identical policy. The Policy Statement applies to the RTC when it is liquidating assets in its corporate and receivership capacities; it does not apply when the RTC is acting as a conservator. The Policy Statement provides, in part, that owned real property of the RTC is subject to state and local real property taxes if those taxes are assessed according to the property's value, and that the RTC is immune from ad valorem real property taxes assessed on other bases. The Policy Statement also provides that the RTC will pay its proper tax obligations when they become due and will pay claims for delinquencies as promptly as is consistent with sound business practice and the orderly administration of the institution's affairs, unless abandonment of the RTC interest in the property is appropriate. It further provides that the RTC will pay claims for interest on delinquent property taxes owed at the rate provided under state law. The RTC will not pay for any amounts in the nature of fines or penalties and will not pay nor recognize liens for such amounts. The Policy Statement also provides that if any property taxes (including interest) on RTC-owned property are secured by a valid lien (in effect before the property became owned by the RTC), the RTC will pay those claims. No property of the RTC is subject to levy, attachment, garnishment, foreclosure or sale without the RTC's consent. In addition, a lien for taxes and interest may attach, but the RTC will not permit a lien or security interest held by the RTC to be eliminated by foreclosure without the RTC's consent.

The Policy Statement is unclear as to whether the RTC considers the assessments imposed by the City to be "real property taxes" which the RTC intends to pay. The Policy Statement provides: "The [RTC] is only liable for state and local taxes which are based on the value of the property during the period for which the tax is imposed, notwithstanding the failure of any person, including prior record owners, to challenge an assessment under the procedures available under state law. In the exercise of its business judgment, the [RTC] may challenge assessments which do not conform with the statutory provisions, and during the challenge will generally pay tax claims based on the assessment level deemed appropriate. The [RTC] will generally limit challenges to the current and immediately preceding taxable years and to the

pursuit of previously filed tax protests. However, the [RTC] may, in the exercise of its business judgment, challenge any prior taxes and assessments provided that (1) the [RTC's] records (including appraisals, offers or bids received for the purchase of the property, etc.) indicate that the assessed value is clearly excessive, (2) a successful challenge will result in a substantial savings to the [RTC], (3) the challenge will not unduly delay the sale of the property, and (4) there is a reasonable likelihood of a successful challenge."

The City is unable to predict what effect, if any, the application of the Policy Statement will have in the event of a delinquency in the payment of assessments relating to a parcel within the Assessment District in which the FDIC or the RTC has an interest. The City also is unable to predict what effect, if any, the application of the Policy Statement will have on the payment of the principal of, and interest on, the Bonds.

### **Price Realized Upon Foreclosure**

Amendments to the Bond Law enacted in 1988 and effective January 1, 1989, provide that under certain circumstances property may be sold upon foreclosure at the lesser Minimum Price or without a Minimum Price. "Minimum Price" as used the Bond Law is the amount equal to the delinquent installments of principal or interest of the assessment or reassessment, together with all interest penalties, costs, fees, charges and other amounts more fully detailed in the Bond Law. The court may authorize a sale at less than the Minimum Price if the court determines, based on the evidence introduced at the required hearing, any of following:

1. Sale at the lesser Minimum Price or without a Minimum Price will result in an ultimate loss to the Bond owners;

2. Bond owners of 75% or more of the Outstanding Bonds, by principal amount, have consented to such sale and the sale will not result in an ultimate loss to the nonconsenting Bond owners;

3. Bond owners of 75% or more of the Outstanding Bonds, by principal amount, have consented to the petition and all of the following apply:



a. By reason of determination pursuant to the Bond Law, the City is not obligated to advance available funds to cure a deficiency (the City made such a determination not to be so obligated with respect to the Bonds);

b. No bids equal to or greater than the Minimum Price have been received at the foreclosure sale;

c. No funds remain in the Reserve Fund;

d. The City has reasonably determined that a reassessment and refunding proceeding is not practicable, or has in good faith endeavored to accomplish a reassessment and refunding and has not been successful, or has completed reassessment and refunding arrangements which will, to the maximum extent feasible, minimize the ultimate loss to the Bond owners; and

e. No other remedy acceptable to Bond owners of 75% or more of the Outstanding Bonds, by principal amount, is reasonably available.

The assessment or reassessment lien upon property sold pursuant to this procedure at a lesser price than the Minimum Price shall be reduced by the difference between the Minimum Price and the sale price. In addition, the court shall permit participation by the Bondholders in its consideration of the petition as necessary to its determinations.

Implementation of the above-described Minimum Price provision by the court upon foreclosure could result in nonpayment of amounts due to Bondholders who are not in agreement with the 75% of such Bondholders required to approve the sale at less than the Minimum Price. Reference should be made to the 1915 Act for a complete presentation of this provision.

#### **Availability of Funds to Pay Delinquent Assessment Installments**

The City will establish a Reserve Fund out of Bond proceeds in an amount not to exceed ten percent (10%) of the original principal amount of the Bonds. As discussed in "SECURITY FOR THE BONDS - Reserve Fund" herein, if a delinquency occurs in the payment of any assessment installment, the City Treasurer will transfer into the Redemption Fund the amount of the delinquency from the Reserve Fund. There is no assurance that the balance in the Reserve Fund will always be adequate to pay all delinquent installments, and if, during the period of delinquency, there are insufficient funds in the Reserve Fund to pay all

delinquent installments, a delay may occur in payments to the owners of the Bonds.

#### **Limited City Obligation Upon Delinquency**

The City's obligation to advance monies to pay Bond debt service in the event of delinquent assessment installments shall not exceed the balance of monies in the Reserve Fund. The City has made an election not to be obligated to advance funds from the City treasury for delinquent assessment installments pursuant to Section 8769(b) of the Bond Law; the only obligation of the City is to transfer amounts available in the Reserve Fund.

#### **Future Land Development**

The information regarding ownership and private development of assessed parcels in the Assessment District as contained in this Official Statement has been provided by the respective owners of such parcels. This information is included because it may be relevant to an informed evaluation of the Project and the security for the Bonds. However, no assurance can be given that ownership of one or more of such parcels will not be changed or that the development projects planned by such owners will occur. This information should not be construed to suggest that the Bonds or the assessments securing the Bonds are personal obligations of property owner or the developer. See the section herein entitled "THE ASSESSMENT DISTRICT - Land Ownership and Future Development."

The development proposed for the lands located in the Assessment District may be affected by changes in general economic conditions, fluctuations in the real estate market, changes in the ownership of the land, and other factors. In addition, any proposed development is subject to existing and future federal state and local regulations. Approval may be required from various public agencies in the connection with the design, nature and extent of the required public improvements, or such matters as land use and zoning. Although no delays are anticipated, failure to meet any such future regulations or obtain any such approvals in a timely manner could delay or adversely affect any proposed development of the parcels of land in the Assessment District.

The land within the Assessment District is subject to a number of contingencies which could slow or prevent future development of the undeveloped land. Consequently, no assurance can be given that such development will be partially or fully completed, and in assessing the investment quality of the

Bonds, prospective purchasers should evaluate the risks of noncompletion.

First, undeveloped land is less valuable than such land in a developed condition and provides less valuable security to the Bondowners should it be necessary for the City to foreclose due to the nonpayment of assessment installments.

Second, if much of the land in the Assessment District remains undeveloped, the number of likely purchasers at the foreclosure sale, in the event the City forecloses the lien of delinquent unpaid assessment installments, is likely to be reduced. See "Bankruptcy and Foreclosure" herein.

Third, in addition to potentially reducing the ability and willingness of the landowners to pay assessment installments, a slowdown of the economic development process in the region could adversely affect land values and reduce the proceeds received at a foreclosure sale in the event assessment installments are not paid when due.

There can be no assurance that land development operations within the Assessment District will not be adversely affected by future government policies, including, but not limited to, governmental policies to restrict or control development.

During the past years, citizens of a number of local communities in Southern California, including citizens of the County of Riverside, the County of Orange and the County of San Diego, have placed measures on the ballot designed to control the rate of future growth in those areas. Although none of those measures affected the Assessment District, it is possible that future initiatives applicable to the Assessment District could be enacted and could negatively impact the ability of the property owners to further develop their land. Bondowners should assume that any event that significantly impacts the ability to develop land in the Assessment District could cause the land values within the Assessment District to decrease substantially and could affect the willingness and ability of the owners of land to pay the assessments when due.

In evaluating the investment quality of the Bonds, investors should assume that the possible enactment of restrictive land use regulations, by the City or by voter initiative, presents a substantial risk to the timely construction and completion of development of the property within the Assessment District.

## **Drought Conditions**

California has recently experienced a drought, although rainfall this year has lessened the drought conditions in some parts of the State. There can be no assurance that the drought will not adversely affect the financial condition of the Landowner/Developer, due to unavailability of water, slowed or halted development or otherwise. The Landowner/Developer has received a letter from the Otay Water District which provides that water service will be available to the development, but continuation of the drought conditions may adversely affect the ability of Otay Water District to provide sufficient levels of service. Neither the City nor the Landowner/Developer can gauge the impact if the drought conditions continue.

## **Direct and Overlapping Indebtedness**

The ability of an owner of land within the Assessment District to pay assessment installments could be affected by the existence of other taxes and assessments imposed upon the land. In addition, other public agencies whose boundaries overlap those of the Assessment District could, without the consent of the City, and in certain cases without the consent of the owners of the land within the Assessment District, impose additional taxes or assessment liens on the property within the Assessment District to finance public improvements to be located inside of or outside of the Assessment District. A statement of direct and overlapping indebtedness on land within the Assessment District is included herein under the heading "THE ASSESSMENT DISTRICT - 'Estimated Direct and Overlapping Bonded Debt' and 'Prior Assessments'."

## **Land Values**

Reference is made to APPENDIX III which contains excerpts from the Appraisal Report summarizing the Appraiser's opinion with respect to the value of the parcels located in the Assessment District. The valuation of the land discussed in the Appraisal Report assumes the Project is completed and all parcels are capable of development. Based upon the analysis set forth therein, the value of each parcel of land will exceed the amount of the full assessment lien against it. However, there is no assurance that in the event of a foreclosure sale for a delinquent assessment installment any bid will be received for such property or that any bid received or resale price will be sufficient to pay such delinquent installments (plus costs and penalties). The 1915 Act requires that a parcel be sold for only the delinquent amount (plus costs and penalties) and not the entire outstanding assessment.

The Appraiser has made various assumptions in order to derive the valuation estimates of the assessed parcels. See APPENDIX III for an explanation of methodology and a statement of limiting conditions and assumptions used by the Appraiser to derive the value of each parcel. Although these limiting conditions and assumptions were considered reasonable by the Appraiser based on information available to the Appraiser, neither the Appraiser nor the City can give any assurance that any parcel will be developed in accordance with the uses that the Appraiser has projected.

The actual value of the property is subject to future events such as a downturn in the economy, occurrences such as earthquakes, droughts or floods or other events, all of which could adversely impact the value of the land in the Assessment District which is the security for the Bonds. As discussed herein, many factors could adversely affect property values or prevent or delay land development within the Assessment District.

*Geologic, Topographic and Climatic Conditions.* The market value of the parcels can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements of the parcels and the continued habitability and enjoyment of such public and private improvements. Such additional factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and tornadoes).

Some of these factors have been taken into account, to a limited extent, in the design of the public improvements and have or will be taken into account to a limited extent, in the design of other infrastructure and public improvements, the design of which must be approved by the City. Further, building codes require that some of these factors be taken into account, to a limited extent, in the design of private improvements of the parcels. The City is aware that some of these factors may also be taken into account, to a limited extent, in the design of other infrastructure and public improvements neither designed nor subject to design approval by the City. Design criteria in any of these circumstances are established upon the basis of a variety of considerations and may change, leaving previously-designed improvements unaffected by more stringent subsequently established criteria. In general, design criteria reflect a balance at the time of protection and the future costs of lack of protection, based in part upon a present perception of the probability that the condition will occur and the seriousness of the condition should it occur. Consequently, neither the absence of nor the

establishment of design criteria with respect to any particular condition means that the City has evaluated the condition and has established design criteria in the situations in which such criteria are needed to preserve value, or has established such criteria at levels that will preserve value. To the contrary, the City expects that one or more of such conditions may occur and may result in damage to improvements of varying seriousness, that the damage may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate habitability or other use, or because other considerations preclude such repair or replacement. Under any of these circumstances, the actual value of the parcels and the possessory interests may well depreciate or disappear, notwithstanding the establishment of design criteria for any such condition.

*Hazardous Substance.* While governmental taxes, assessments and charges are a common claim against the value of a parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value that may be realized to pay the assessment is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel may be required by law to remedy conditions relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or "Superfund Act", is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect therefore, should any of the parcels be affected by a hazardous substance, is to reduce the marketability and value by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller.

The value of the land within the Assessment District does not take into account the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. The City has not independently verified, and is not aware, that the owner (or operator) of any of the parcels within the Assessment District has such a current liability with respect to such parcel, however, it is possible that such liabilities do currently exist and that the City is not aware of them.

As described herein under the heading "ASSESSMENT DISTRICT - Environmental Review," a Phase I Environmental Site Assessment was conducted on the property within the Assessment

District. Although the assessment did not include soil and groundwater sampling, it did conclude based on discussions and review of existing material, that the potential for the site to be effected from outside sources was low, because there are no reported unauthorized contamination since within a quarter of a mile of the Assessment District.

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

#### **Absence of Market for the Bonds**

No application has been made for a credit rating for the Bonds, and it is not known whether a credit rating could be secured either now or in the future for the Bonds. There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market and the financial condition and the proposed development of the parcels within the Assessment District.

#### **Loss of Tax Exemption**

In the opinion of Bond Counsel, the Bonds constitute governmental obligations under the Internal Revenue Code of 1986, as amended (the "Code"). The City has covenanted to comply with Code restrictions (relating to use of Bond proceeds, reserve fund funding requirements, investment yield limitations and rebate requirements, federal guarantee prohibitions and registration requirements) so that interest on the Bonds is excludable from gross income for federal income tax purposes. However, in the event the City fails to comply with any of these covenants, interest on the Bonds would be includable in gross income for federal income tax purposes retroactive to the date of Bond issuance.

## Concentration of Property Ownership

Until further subdivision and/or development and sales of parcels occur within the District, payment of all of the assessment installments is dependent upon timely payment by the Landowner/Developer. (See the section herein entitled "THE ASSESSMENT DISTRICT - Land Ownership and Future Development.") Failure by the Landowner/Developer to successfully develop its projects proposed for the land within the Assessment District would most likely result in the failure to pay assessment installments applicable to its properties when due, therefore resulting in the rapid depletion of Reserve Fund prior to reimbursement from the resales of property or delinquent reductions. In that event, there could be a default in the payment of principal of the principal of and interest on the Bonds.

## Competing Projects

There are a number of competing industrial/commercial projects either developed or under development in the Otay Mesa Area. The following table lists the square footage of commercial building space approved by City within the Otay Mesa Development District for the last five years:

<u>Year</u>	<u>Square Feet</u>
1987	859,134
1988	851,452
1989	673,579
1990	928,278
1991	663,673
1992 (1st Quarter)	22,658

The following is a brief profile of major development projects on the Otay Mesa, as described in the initial Appraisal Report, dated October 10, 1990, prepared for the Assessment District by the Ohrmund Land Co. These projects were originally reviewed by the appraiser to help establish the value of the parcels located within the Assessment District.

*Otay International Center* ("OIC"). OIC is a 449 acre industrial/commercial project located adjacent to the Otay Mesa Border Crossing. Since approved in 1984, a number of industrial and commercial projects have been developed at this site, the largest of which is Trammell Crow's "The Gateway at Otay International Center", located adjacent to the Border Crossing. Additional improvements include a Chevron Gas Station and McDonalds Restaurant, as well as a 23,180 square foot office building. Additionally, the U.S. Government has purchased approximately 16 acres of commercial pedestrian zone land for long-term future expansion of the Border Crossing.



*San Diego Business Park.* This 74 acre project will contain a projected 1.3 million square feet of manufacturing and warehouse space upon completion. It is currently anchored by a 700,000 square foot manufacturing facility owned by Sanyo, a 108,000 square foot manufacturing facility for Maxwell America, Inc., a 210,000 square foot facility for Sherwood Medical, and 134,000 square feet of manufacturing space for Casio. Additionally, two new buildings totalling 144,000 square feet were completed in Spring of 1989.

*Brown Field Business Park.* This 160 acre park is anticipated to contain approximately 2.2 million square feet of industrial/technology building space upon completion. There currently exists a 205,000 square foot industrial building of which approximately 129,000 square feet is occupied, and grading has been completed for the remainder of the business park.

*De La Fuente Business Park.* This is a 312 acre master plan industrial/business complex, of which approximately 48 acres have been sold.

*Koll Otay Mesa.* This is an approximately 38 acre industrial project. There currently exists a 146,000 square foot manufacturing/distribution warehouse on one lot, and the remaining four lots have been sold.

*International Business Center.* This is a 16-lot subdivision containing a total of approximately 88 net acres.

*Pacific Gateway Otay Park.* This is a 14-lot industrial project in which a final map was recorded in 1988.

*Mesa Business Park.* This a 33 acre, 18-lot industrial subdivision. All the lots have been sold to a combination of developers and end-users.

*Plaza De Otay Retail Project.* Adjacent to the Otay Mesa Border Crossing, McLaren Development Company intends to construct approximately 86,000 square feet of retail space.

*Otay Mesa Cross Roads Retail Center.* This is an approximately 54,000 square foot retail facility, located in the Otay International Center.

*San Diego Regional Wholesale Food Mart.* This is a 34 acre wholesale market being constructed by Tom Hom. Completion of the project is expected in 1993.

Suites of America. This is a 170 room hotel to be located in the Otay International Center.

## MISCELLANEOUS

### No Litigation

There is no known controversy or litigation of any nature now pending to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, the proceedings of the City taken with respect to the issuance or sale thereof, the existence or powers of the City or the title of any officers of the City to their respective positions.

### Approval of Legality

All legal matters related to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Brown, Diven & Hentschke, San Diego, California, Bond Counsel. The unqualified opinion of Bond Counsel approving the validity of the Bonds will be supplied free of charge to the original purchaser of the Bonds and will be attached to each Bond. Fees payable to Bond Counsel are, in part, contingent upon the sale and delivery of the Bonds.

### Tax Exemption

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is exempt from personal income taxes imposed by the State of California, 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. However, Bond Counsel notes that, with respect to corporations (as defined for federal income tax purposes), interest on the Bonds will be included in determining corporate adjusted net book income (adjusted current earnings for taxable years ending after December 31, 1990), a portion of which may increase the alternative minimum taxable income of such corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Bonds is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the issuance of the Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such

requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to comply with all such requirements. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken on (or not taken) or events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and/or other items of income or deductions. Bond Counsel expressed no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before buying any of the Bonds.

The form of opinion of Bond Counsel is attached hereto as APPENDIX V.

#### **No Rating**

No rating has been sought or obtained for the Bonds.

#### **Underwriting**

PaineWebber Incorporated and Bancroft, Garcia & Lavell, Inc., the Underwriters of the Bonds, have agreed to purchase the Bonds from the City at an aggregate discount of \$64,815.00 from the total par value of Bonds as set forth on the cover page of this Official Statement. The purchase contract pursuant to which the Underwriters are purchasing the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

The public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof.

#### **Financial Consultants**

Evensen Dodge, Inc. and Daniels & Bell, Inc. have acted as co-financial advisors to the City in connection with the issuance of the Bonds.

**Additional Information**

Any statements made in this Official Statement involving matters of opinion or of 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. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

Copies of the documents referred to herein are available for inspection at the Office of the City Clerk.

The execution and delivery of this Official Statement have been duly authorized by Resolution of the City Council of the City.

**CITY OF SAN DIEGO, CALIFORNIA**

By: /S/ Patricia T. Frazier  
Financial Management Director

By: /S/ M. Victor Rollinger  
Engineering and Development  
Department Director

## APPENDIX I

### CITY OF SAN DIEGO

The following information relating to the City of San Diego, California (the "City") is supplied solely for purposes of information.

**THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY OF SAN DIEGO, THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE, AND NEITHER THE CITY NOR THE STATE HAS PLEDGED ITS FULL FAITH AND CREDIT FOR THE PAYMENT THEREOF.**

**AS AUTHORIZED BY SECTION 8769 OF THE 1915 ACT, THE CITY HAS DETERMINED NOT TO OBLIGATE ITSELF TO ADVANCE ANY AVAILABLE FUNDS FROM THE CITY TREASURY TO COVER ANY DEFICIENCY OR DELINQUENCY WHICH MAY OCCUR IN THE REDEMPTION FUND BY FAILURE OF PROPERTY OWNERS TO PAY ANNUAL SPECIAL ASSESSMENTS.**

#### Location

The City of San Diego, California is located on San Diego Bay in Southern California, approximately 125 miles south of Los Angeles and 16 miles north of the Mexico border. City limits cover approximately 404 square miles (331 square miles of land and 73 square miles of water). The City was founded in 1769, incorporated in 1850, and the City Charter was adopted in 1931. San Diego is the largest city in San Diego County and the second largest city in California.

### THE CITY

#### Municipal Government

San Diego is a chartered city and operates under the Council-Manager form of government. The City Council is comprised of nine members, eight members of which are elected by district to serve overlapping four-year terms. The City Council, which acts as the City's legislative and policy making body, selects the City Manager, who is the City's chief administrator and is responsible for implementing the policies and programs adopted by the City Council. The Mayor, who presides over and votes with the City Council, is elected at large to serve a four-year term.

#### Climate and Topography

San Diego has mild summers with an average high temperature of 77 degrees and moderate winters with an average winter temperature of 65 degrees. Average relative humidity

ranges from 68 in the winter to 75 in midsummer. Average annual rainfall, which occurs generally in the period between November and April, is between 10 to 12 inches.

The City is located on the San Diego Bay and covers over 330 square miles of land and over 70 square miles of water. The altitude of the City rises from seal level to 1,591 feet above sea level.

### Population

The City of San Diego is the sixth largest city in the United States and the second largest city in California. It is also one of the fastest growing cities in the State.

### CITY AND COUNTY OF SAN DIEGO POPULATION

<u>Year</u>	<u>City of San Diego(1)</u>	<u>Annual Avg. Change</u>	<u>County of San Diego(2)</u>	<u>Annual Avg. Change</u>
1960	571,767	--	1,033,011	8.6%
1970	696,500	2.2%	1,357,854	3.1
1980	875,538	2.6	1,861,846	3.7
1985	979,300	2.4	2,102,502	2.6
1986	1,007,000	2.8	2,166,169	3.0
1987	1,031,800	2.5	2,240,700	3.4
1988	1,058,700	2.6	2,327,000	3.9
1989	1,082,900	2.3	2,417,600	3.9
1990	1,101,740	1.8	2,498,016	3.3
1991	1,130,034	2.5	2,548,728	2.0

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(1) Source: City Planning Department's January 1 estimates which are based on the U.S. Census counts or official State Department of Finance Estimates.

(2) Source: U.S. Census 1960-1980; State Department of Finance Estimates for 1985-1990.

### Assessed Valuation

Effective January 1, 1981, all taxable property is assessed by the County at 100% of full value, which is a change from the prior practice of assessing property at 25% of full value.

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the City as of the preceding March 1. For assessment and collection purposes,

property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing property the taxes on which there is a lien on real property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquent penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31 of the fiscal year. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year. The taxing authority has four ways of collecting unsecured personal property taxes: (1) civil action against the taxpayer; (2) 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; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interest belonging to or assessed to the taxpayer.

A supplemental assessment occurs upon a change of ownership of existing property and for new construction upon completion. A supplemental tax bill is issued for the difference in property value resulting from the increase in assessed value which is prorated for the remainder of the year.

Effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuations pertaining to public utilities such as San Diego Gas and Electric, and Pacific Telephone. In lieu of the property tax on these previously included assessed valuations, the City will receive from the State (through the County) an amount of

unitary revenue based upon the unitary property tax received in the prior year. This has the effect of reducing assessed values in 1988-89 by approximately \$2.0 billion dollars countywide and reducing the percentage of annual change from approximately 11% to 5.34%. However, in spite of this change in assessed value, revenues are expected to be unaffected.

The table shown below outlines a five-year history of assessed valuation for the City.

**CITY OF SAN DIEGO  
ASSESSED VALUATION OF ALL TAXABLE PROPERTY  
(EXCEPT REDEVELOPMENT PROJECTS)  
(100% OF FULL VALUE)  
(000'S OMITTED)**

<u>Fiscal Year</u>	<u>Secured Property</u>	<u>Unsecured Property</u>	<u>Total Gross</u>	<u>Less Exemptions</u>	<u>Net Assessed Valuations</u>	<u>Annual Assessed Change</u>
1987-88	\$41,256,462	\$2,510,496	\$43,766,958	\$1,197,058	\$42,569,900	11.11%
1988-89	43,175,133	2,923,626	46,098,759	1,257,738	44,841,021 (1)	5.34 (1)
1989-90	48,203,351	3,345,666	51,549,197	1,492,849	50,056,348	11.63
1990-91	53,756,806	3,885,132	57,641,938	1,676,063	55,965,875	11.81
1991-92	57,563,431	3,946,532	61,509,963	1,792,948	59,717,015	6.70

(1) As mentioned above, effective July 1, 1988, Assembly Bill 454, Chapter 921, eliminated the reporting of the unitary valuation pertaining to public utilities, making the percentage change not comparable in 1988-89. Without such change they would have been approximately 11%.

Source: City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1991, "Statistical Section (unaudited)," page 144.



## Tax Collections

The table below summarizes the City's secured tax collections over the past five years. **THE BONDS ARE NOT SECURED BY A PLEDGE OF THE CITY'S PROPERTY TAXES.**

**CITY OF SAN DIEGO  
SECURED TAX LEVIES AND COLLECTIONS  
Fiscal Years 1986/87 through 1990/91  
(In thousands)**

<u>Fiscal Year</u>	<u>Tax Levy</u>	<u>Current Year Collections</u>	<u>% of Current Year Collections</u>	<u>Total Tax Collections</u>	<u>Collection As % of Tax Levy</u>
1986-87	79,236	74,838	94.45	78,110	98.58
1987-88	92,545	87,032	94.04	91,268	98.62
1988-89	102,539	97,895	95.47	101,852	99.33
1989-90	115,361	109,990	95.34	113,377	98.28
1990-91	125,823	116,952	92.95	120,510	95.78

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Source: City of San Diego Comprehensive Annual Financial Report for the year ended June 30, 1991, "Statistical Section (unaudited)," page 149.

## Economy

The economic expansion of the City over the last 20 years has broadened to the point where no one industry dominates the City's economy. A variety of industries now combine to make manufacturing one of the fastest growing sections of the City's economy, including electronics, biomedicine, food processing, aerospace and aircraft, apparel and shipbuilding.

Diversity of the City's economic base can be found in the wide range of businesses which comprise the City's ten largest taxpayers as shown below.

**CITY OF SAN DIEGO  
MAJOR TAXPAYERS  
JUNE 30, 1991  
(000's omitted)**

<u>TAXPAYER</u>	<u>PRODUCT/ SERVICE</u>	<u>VALUATION FOR REVENUE PURPOSES</u>
General Dynamics	Aerospace	\$532,298
Equitable	Investment	223,348
Pardee Construction	Developer	209,320
Sea World	Entertainment	201,789
Pacific Landmark Hotel	Hotel	171,930
Solar	Manufacturing	161,329
Emerald - Shapery Center	Hotel/Office/Retail	142,020
Aventine	Mixed Use	134,728
Fashion Valley Venture	Shopping Center	123,624
Plaza La Jolla Village	Shopping Center	123,433

**Note:** This table excludes public utilities, including San Diego Gas & Electric Company, Pacific Bell and American Telephone and Telegraph (AT&T), because valuations within the City of San Diego cannot be readily determined.

**Source:** County of San Diego Assessor's Office.

The City's economic diversity is also demonstrated in the broad variety of large employers, as listed in the following Table (excluding City, County, Federal and most State governmental agencies).

**CITY OF SAN DIEGO  
MAJOR PRIVATE EMPLOYERS  
December, 1991**

<u>Company</u>	<u>Product/Service</u>
<b><u>10,000 or More Employees:</u></b>	
General Dynamics	Aerospace/Defense Electronics
San Diego Unified School District	Education
University of California, San Diego	Higher Education
<b><u>5,000-9,999 Employees:</u></b>	
Pacific Bell	Utility
San Diego Community College District	Higher Education
Sharp Health Care	Health Care
<b><u>3,000-4,999 Employees:</u></b>	
Cubic Corporation	Electronics, Elevators
Kaiser Medical Foundation	Health Care
National Steel & Shipbuilding Co.	Shipbuilding and repair
San Diego Gas & Electric	Utility
San Diego State University	Higher Education
Scripps Clinic & Research Foundation	Health services
Science Applications International Corp.	Research and Development
Solar Turbines, Inc.	Turbine Manufacturing
UCSD Medical Center	Health Care
<b><u>2,000-2,999 Employees:</u></b>	
Atlas Hotels, Inc.	Hotels
Bank of America NT&SA	Financial services
Foodmaker, Inc.	Food Service
Mercy Health Care San Diego	Health Care
Nordstrom	Retail
Scripps Memorial Hospitals	Health Care
Sea World of California	Entertainment
The Price Company	Wholesale
Union Bank	Financial services
USAIR	Airline
Von's Companies, Inc.	Food Services

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Source: City of San Diego Chamber of Commerce.

## Employment

Current employment data are not available for the City. The City is included in the San Diego Metropolitan Statistical Area, which includes all of San Diego County. Set forth below is data from 1987 to 1991, reflecting the County's civilian labor force, employment and unemployment.

### SAN DIEGO COUNTY CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

<u>Year</u>	<u>Labor Force (1)</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate (2)</u>
1987	1,058,800	1,011,000	47,800	4.5%
1988	1,118,400	1,070,400	48,000	4.3
1989	1,173,400	1,127,200	46,200	3.9
1990	1,174,600	1,122,900	51,700	4.4
1991 (3)	1,176,300	1,104,100	72,100	6.1

(1) Labor force data are in place of residence. Employment includes persons involved in labor-management trade disputes.

(2) The unemployment rate is computed from unrounded data; it may differ from rates using the rounded figures in this table.

(3) Preliminary.

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Source: California Employment Development Department.

The City lies within the San Diego County labor market area and dominates the County's economic activities. Since the 1960's the City has broadened its economic base to include tourism and high technology as major contributions to area employment. During this period, the largest employment increases have been in such service sectors as retail trade and finance.

Preliminary estimates from the California Employment Development Department calculated that the County's unemployment rate averaged 6.1% in 1991. The County's unemployment rate compared favorably to the preliminary estimates of California's preliminary average of 7.5%, and the nation's average of 6.7%.

The following table shows a breakdown of wage and salaried employment for the various industry groups in San Diego County.

**SAN DIEGO METROPOLITAN STATISTICAL AREA  
WAGE AND SALARY EMPLOYMENT (1) (2)  
1987-1991  
Annual Average  
(in thousands)**

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991(3)</u>
Total All Industries	879.8	928.7	975.9	1,003.3	984.7
Agriculture, Forestry and Fisheries	12.4	12.1	11.3	10.8	10.4
Nonagricultural Industries	867.4	916.6	964.6	992.5	974.3
Mining	.8	.8	.8	.7	.6
Construction	54.6	57.4	63.8	59.8	50.4
Manufacturing	124.3	130.1	135.4	137.8	134.7
Nondurable goods	23.4	25.7	27.0	28.8	29.3
Durable goods	100.9	104.5	108.4	109.0	105.4
Transportation, Public Utilities	33.7	35.1	35.8	37.2	36.8
Trade	207.0	223.0	233.7	238.6	230.8
Wholesale	37.9	41.0	42.8	44.5	42.3
Retail	169.1	181.9	190.8	194.1	188.5
Finance, Insurance, Real Estate	61.4	65.0	66.5	66.4	64.3
Services	229.0	242.5	259.5	274.7	277.3
Government	156.6	162.8	169.3	177.4	179.5
Federal	45.0	45.3	47.4	49.2	47.7
State & Local	111.6	117.6	121.9	128.2	131.8

- (1) Employment reported by place of work. Does not include proprietors, self-employed or persons involved in labor-management trade disputes.  
(2) Figures may not add to the Industry Total due to independent rounding.  
(3) Preliminary.

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Source: State of California Employment Development Department.

### Commercial Activity

The San Diego County area has some 28 regional and community shopping centers as well as a number of specialty shopping developments. Fashion Valley and Mission Valley, both centrally located in the City's Mission Valley corridor along the Interstate 8 Freeway, are major regional centers which together house over 320 stores including major national retailers. Fashion Valley expanded in 1981 to add 46 new shops including Neiman Marcus and Nordstrom.

Specialty shopping developments include Seaport Village on the waterfront, providing a major focus for

tourists. A major expansion of Seaport Village is being constructed by the City and Redevelopment Agency. Bazaar del Mundo, located at the site of the original San Diego Mission, is the site of a variety of international shops and restaurants. The City's Gaslamp Quarter is being restored and upgraded to include new boutiques, galleries and antique shops.

Horton Plaza is a major commercial metropolitan center developed by Ernest Hahn Company in association with the City's Redevelopment Agency. Horton Plaza provides 904,000 square feet of space on five levels covering 6.5 downtown city blocks. Horton Plaza includes among its 200 stores four major department stores (Robinson's, The Broadway, Mervyns and Nordstrom), a major movie theatre complex, playhouse and a variety of restaurants.

The following table presents retail and total taxable transactions for the City from 1986 through 1990.

**CITY OF SAN DIEGO  
TAXABLE TRANSACTIONS  
1986 Through 1990  
(000's omitted)**

<u>Outlets</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
Apparel stores	\$248,477	\$279,481	\$324,339	\$371,852	\$390,697
General merchandise	821,830	900,882	928,186	1,003,319	1,108,429
Drug stores	110,507	120,242	130,015	141,155	147,324
Food stores	438,696	414,311	447,067	496,657	524,958
Package liquor	60,425	72,620	71,207	72,384	73,694
Eating & drinking establishments	794,338	877,562	954,130	1,022,509	1,075,433
Home furnishings and appliances	285,117	313,797	330,174	341,548	361,754
Building materials and farm implements	325,470	339,198	369,261	405,645	430,212
Auto dealers and supplies	961,501	967,753	968,231	982,230	927,867
Service stations	401,944	483,404	474,205	548,352	580,382
Other retail stores	<u>833,897</u>	<u>966,830</u>	<u>1,055,836</u>	<u>1,115,994</u>	<u>1,169,448</u>
Total retail outlets	<u>\$5,282,202</u>	<u>\$5,736,080</u>	<u>\$6,052,651</u>	<u>\$6,501,645</u>	<u>\$6,700,198</u>
All other outlets	<u>2,321,317</u>	<u>2,464,738</u>	<u>2,695,823</u>	<u>2,985,340</u>	<u>2,891,117</u>
Total All Outlets	<u>\$7,603,519</u>	<u>\$8,200,818</u>	<u>\$8,748,474</u>	<u>\$9,459,985</u>	<u>\$9,591,315</u>

Source: California State Board of Equalization.

## Construction

The following table presents the valuation of building permits issued in the City from 1987 through 1991. A building moratorium which was in effect in the City during part of 1988. Subsequently, the interim development ordinance was lifted, and a monitoring system established, to ensure that the necessary public facilities will be in place to service new development when completed prior to approval of new permits.

### CITY OF SAN DIEGO BUILDING PERMIT VALUATIONS FISCAL YEARS 1987 THROUGH 1991

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>
Valuation					
(in thousands):					
Residential	\$1,478,146	\$ 739,710	\$1,104,638	\$1,092,547	\$516,072
Nonresidential	<u>749,597</u>	<u>796,884</u>	<u>851,591</u>	<u>738,998</u>	<u>421,476</u>
Total	<u>\$2,227,743</u>	<u>\$1,536,594</u>	<u>\$1,956,229</u>	<u>\$1,831,545</u>	<u>\$937,548</u>
New Dwelling Units:					
Single family	\$ 6,448	\$3,155	\$3,739	\$3,072	\$1,413
Multiple family	<u>12,183</u>	<u>5,089</u>	<u>6,156</u>	<u>6,318</u>	<u>2,609</u>
Total	<u>\$18,631</u>	<u>\$8,244</u>	<u>\$9,895</u>	<u>\$9,390</u>	<u>\$4,022</u>

Source: City of San Diego, Department of Building Inspection.

## Transportation

San Diego has a well-developed and relatively uncongested highway system. Access in and out of the region is provided by five major freeways running north and south and three freeways running east and west.

Public transportation through the City and surrounding communities is provided by the San Diego Transit Corporation and several independent taxicab companies. The Metropolitan Transit Development Board, a mass transit system which began operating in 1981, operates a fleet of electric trolleys that provide transportation for commuters and tourists along a 17.3 mile route from downtown San Diego to San Ysidro (adjacent to Tijuana), and from downtown San Diego on a 4.5 mile route to Southeast San Diego. Expansion of transit routes is planned as funds become available.

Effective April 1, 1988, San Diego County imposed a 1/2 cent sales tax to be used for transportation improvements. It is estimated that this sales tax will raise about \$2.25 billion over 20 years which will be divided equally for highways, public transit, and local streets and roads. The project will be administered by the San Diego Association of Governments sitting as the San Diego County Regional Transportation Commission. Portions of the collected monies will specifically benefit the City in improved highways, trolley extensions, commuter rail service (43) miles from downtown San Diego to Oceanside, and express buses and reduced prices for seniors, disabled and students.

Railroad lines provide access south, north and east of San Diego. The Santa Fe Railroad maintains daily freight service between San Diego, Los Angeles and San Bernardino. Amtrak provides passenger service in and out of the San Diego area to points across the nation. There are over 200 trucking firms in the San Diego area which provide a variety of specialized services.

Lindbergh International Airport in San Diego is served by 12 major commercial airlines with direct flights to over 50 cities across the U.S. and Mexico. Air freight service is provided by the major airlines as well as by 11 additional air freight carriers. In addition to the international airport, the City is served by Montgomery Field and Brown Field, two municipally owned airports.

### Utilities

Electric power and natural gas are provided by San Diego Gas and Electric Company. Pacific Bell Telephone provides telecommunications service to the San Diego region. The City provides water and sewer service.

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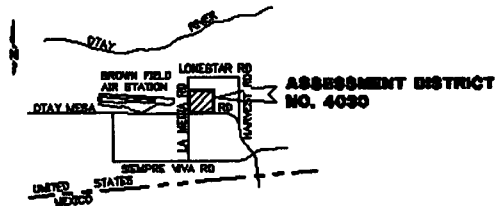
Source: San Diego Chamber of Commerce.



**APPENDIX II**  
**ASSESSMENT DIAGRAM**

# DIAGRAM OF ASSESSMENT DISTRICT NO. 4030

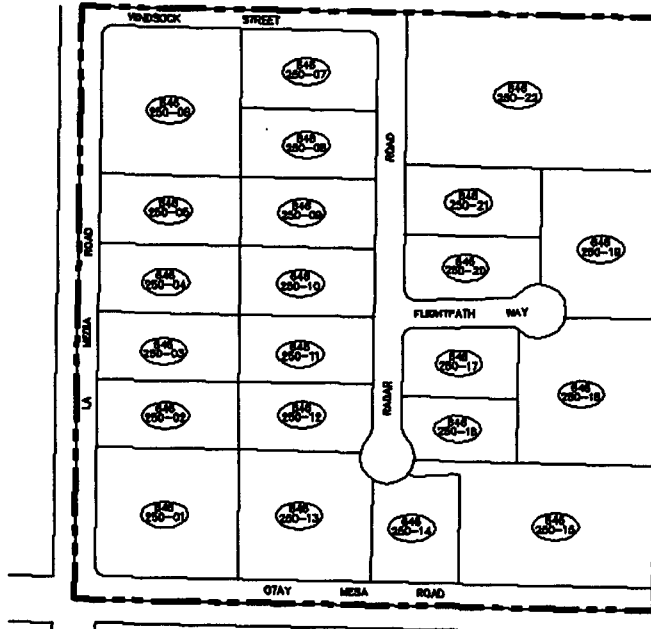
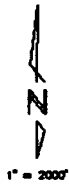
CITY OF SAN DIEGO  
COUNTY OF SAN DIEGO, STATE OF CALIFORNIA



**VICINITY MAP**  
NO SCALE

### LEGEND

- DISTRICT BOUNDARY
- PARCEL BOUNDARY
- S44  
220-20 ASSESSOR'S PARCEL NUMBER



FILED IN THE OFFICE OF THE CITY CLERK OF THE CITY OF SAN DIEGO, THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 1992.

CITY CLERK OF THE  
CITY OF SAN DIEGO

RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF THE CITY OF SAN DIEGO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 1992.

SUPERINTENDENT OF STREETS OF THE  
CITY OF SAN DIEGO

AN ASSESSMENT WAS LEVIED BY THE CITY COUNCIL OF THE CITY OF SAN DIEGO ON THE LOTS, PIECES AND PARCELS OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM. SAID ASSESSMENT WAS LEVIED ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 1992. SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL WERE RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS OF SAID CITY ON THE \_\_\_\_\_ DAY OF \_\_\_\_\_, 1992. REFERENCE IS MADE TO THE ASSESSMENT ROLL RECORDED IN THE OFFICE OF THE SUPERINTENDENT OF STREETS FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND SHOWN ON THIS ASSESSMENT DIAGRAM.

CITY CLERK OF THE  
CITY OF SAN DIEGO

FILED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 1992, AT THE HOUR OF \_\_\_\_\_ O'CLOCK P.M. IN BOOK \_\_\_\_\_ OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, PAGE NOS. \_\_\_\_\_ THROUGH \_\_\_\_\_, AS INSTRUMENT NO. \_\_\_\_\_ IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA.

COUNTY RECORDER OF THE  
COUNTY OF SAN DIEGO

FEE: \$ \_\_\_\_\_

**APPENDIX III**  
**EXCERPTS FROM APPRAISAL REPORT**

OHRMUND LAND CO.  
REAL ESTATE BROKER & CONSULTANTS

SCRIPPS RANCH OFFICE  
11149 RED CEDAR DRIVE  
SAN DIEGO, CA 92131  
(619) 693-1980

MAMMOTH LAKES OFFICE  
P.O. BOX 1472  
MAMMOTH, CA 93546  
(619) 934-2748

FRANK OHRMUND  
RONALD OHRMUND

April 15, 1992

Pat Chavez, Property Agent  
Property Dept., M.S. 51A,  
City of San Diego  
1200 Third Avenue, Suite 1700  
San Diego, Ca 92101-4199

Re: AP 2157 (Supplement)  
22 lots located in Otay Industrial  
Park (#12425), San Diego, CA.

Dear Mr. Chavez:

In accordance with your written authorization of April 9, 1992, I have made an updated valuation analysis of the above captioned property. This updated supplemental valuation analysis has been completed by reference to my previous appraisals of the Otay Industrial Park dated October 10, 1990, January 11, 1991, June 15, 1991, and February 25, 1992.

A market investigation extending from February 25, 1992, to April 15, 1992, was completed. Primary emphasis involved searching for lot sales within the Otay Industrial Center and De La Fuente Business Park. No recorded sales were found within the above mentioned time span. Also, no new political or economic information was brought to my attention that might alter my February 25, 1992, value estimate. Therefore, updated research didn't provide any data that would change my February 25, 1992, values for lots within the Otay Mesa Industrial Park.

My opinions of market value as of April 15, 1992, are as follows:

City of San Diego  
 AP 2157(supplement)  
 22 lots located in Otay Industrial Park

<u>LOT NO.</u>	<u>LOT SIZE GROSS ACRES</u>	<u>LOT SIZE NET ACRES</u>	<u>VALUE PER SQ.FT. NET AREA</u>	<u>VALUE ESTIMATE TOTAL</u>
1	2.112	1.666	\$8.00	\$ 580,568
2	1.042	1.042	\$7.50	\$ 340,421
3	1.042	1.042	\$7.50	\$ 340,421
4	1.042	1.042	\$7.50	\$ 340,421
5	1.042	1.042	\$7.50	\$ 340,421
6	2.248	2.245	\$7.75	\$ 757,890
7	1.183	1.183	\$7.75	\$ 399,369
8	1.027	1.027	\$7.50	\$ 335,521
9	1.033	1.033	\$7.50	\$ 337,481
10	1.033	1.033	\$7.50	\$ 337,481
11	1.033	1.033	\$7.50	\$ 337,481
12	1.016	1.016	\$7.50	\$ 331,927
13	2.059	1.677	\$7.75	\$ 566,138
14	1.051	.802	\$7.75	\$ 270,747
15	3.245	2.358	\$7.75	\$ 796,037
16	.944	.944	\$7.50	\$ 308,405
17	1.007	1.007	\$7.50	\$ 328,987
18	2.203	1.824	\$7.50	\$ 595,901
19	2.205	1.825	\$7.50	\$ 596,228
20	.959	.959	\$7.50	\$ 313,305
21	1.033	1.033	\$7.50	\$ 337,481
22	4.632	4.239	\$7.25	\$1,338,719
<b>TOTAL</b>				<b>\$10,231,350</b>

BULK SALE OR WHOLESALE VALUE ESTIMATE  
(DISCOUNTED CASH FLOW ANALYSIS)

	<u>1992</u>	<u>1993</u>	<u>1994</u>
Lots sold	33% of \$10,231,350= \$3,376,346.	33% of \$10,231,350 +5% or \$10,742,917= \$3,545,163	34% of \$10,231,350 +10% or \$11,254,485 = \$3,826,525
Expenses:			
Taxes	\$74,000	\$51,000	\$17,000
Sales commission, title, escrow @ 5.5% (rounded)	\$186,000	\$195,000	\$210,000
Developer's profit @ 12%	\$405,000	\$425,000	\$459,000
Overhead & supervision	\$200,000	\$200,000	\$200,000
Total expense	\$865,000	\$871,000	\$886,000
Net proceeds to land	\$2,511,346	\$2,674,163	\$2,940,525
Present worth of \$1.00 factor @ 11% for 6 mos. average	.9504 *	.8562 **	.7714 ***
Present worth of land (rounded)	\$2,387,000	\$2,290,000	\$2,268,000

Total present worth of finished lots based on a bulk sale is (rounded) \$6,945,000 or 68% of \$10,231,350 which represents a 32% discount in price.

\* Factor at first of year is 1.0; factor at end of 1st year is .9009; six months average is .9504.

\*\* Factor at beginning of 2nd year is .9009; factor at end of 2nd year is .8116; six months average is .8562.

\*\*\* Factor at beginning of 3rd year is .8116; factor at end of 3rd year is .7312; six months average is .7714.

City of San Diego  
AP 2157(supplement)  
22 lots located in Otay Industrial Park

Page 4.

UPDATED VALUATION ANALYSIS (CONT.)  
AP 2157

CORRELATION OR APPRAISER'S FINAL ESTIMATE OF BULK SALE VALUE:

Following is a summary of the value estimates of the 22 lots in Otay Industrial Park that have sold in bulk to one buyer.

Market study (75% of \$10,231,350 = \$7,674,000) {market study included in January 11, 1991, appraisal supplement indicated a 25% discounted price based on market data analyzed}.

Discounted cash flow land residual - 32% discount or \$6,945,000.

Most weight has been given to the discounted cash flow in estimating bulk sale value because in the market study the bulk sales occurred in a more viable industrial market in early 1989.

Based on these two studies, a fair estimated bulk sale value of 22 unsold lots located in Otay Industrial Park is \$7,000,000.

Thank you for this assignment.

Sincerely,



Ronald D. Ohrmund  
Certified General Appraiser  
State of California #2244

RDO:lo

**APPENDIX IV**

**CITY OF SAN DIEGO  
LIMITED OBLIGATION IMPROVEMENT BONDS  
ASSESSMENT DISTRICT NO. 4030  
(OTAY MESA INDUSTRIAL PARK PROJECT)**

**TABLE OF ASSESSMENTS AND  
ESTIMATED LIEN RATIOS**

ASSM'T NUMBER	ASSESSOR'S NUMBER	OWNER	RETAIL VALUE		VALUE-TO- LIEN RATIOS <sup>3/</sup>
			CONFIRMED ASSESSMENT <sup>1/</sup>	APPRAISED VALUE <sup>2/</sup>	
1	646-250-01	Otay Mesa Investments	\$119,990	\$580,568	4.84:1
2	646-250-02	Otay Mesa Investments	75,048	340,421	4.54:1
3	646-250-03	Otay Mesa Investments	75,048	340,421	4.54:1
4	646-250-04	Otay Mesa Investments	75,048	340,421	4.54:1
5	646-250-05	Otay Mesa Investaents	75,048	340,421	4.54:1
6	646-250-06	Otay Mesa Investments	161,690	757,890	4.69:1
7	646-250-07	Otay Mesa Investments	85,203	399,369	4.69:1
8	646-250-08	Otay Mesa Investments	73,967	335,521	4.57:1
9	646-250-09	Otay Mesa Investments	74,400	337,481	4.57:1
10	646-250-10	Otay Mesa Investments	74,400	337,481	4.57:1
11	646-250-11	Otay Mesa Investments	74,400	337,481	4.57:1
12	646-250-12	Otay Mesa Investments	73,895	331,927	4.49:1
13	646-250-13	Otay Mesa Investaents	120,782	566,138	4.69:1
14	646-250-14	Otay Mesa Investments	57,762	270,747	4.69:1
15	646-250-15	Otay Mesa Investaents	169,829	796,037	4.69:1
16	646-250-16	Otay Mesa Investments	67,990	308,405	4.54:1
17	646-250-17	Otay Mesa Investments	72,527	328,987	4.54:1
18	646-250-18	Otay Mesa Investments	131,369	595,901	4.54:1
19	646-250-19	Otay Mesa Investments	131,441	596,228	4.54:1
20	646-250-20	Otay Mesa Investments	69,070	313,305	4.54:1
21	646-250-21	Otay Mesa Investments	74,400	337,481	4.54:1
22	646-250-22	Otay Mesa Investments	305,305	1,338,719	4.38:1

**DISCOUNTED VALUE**

TOTAL CONFIRMED ASSESSMENT <sup>1/</sup>	TOTAL DISCOUNTED APPRAISED VALUE <sup>4/</sup>	VALUE-TO- LIEN RATIO <sup>3/</sup>
\$2,238,612	\$6,945,000	3.11:1

<sup>1/</sup> Source: Engineer's Report, NBS/Lowry, Incorporated. Only \$2,235,000 principal amount of Bonds will be issued.

<sup>2/</sup> Source: Appraisal Report, Ohrmund Land Co.; reflects retail value of each parcel without any discount (see APPENDIX III hereof).

<sup>3/</sup> Rounded.

<sup>4/</sup> Source: Appraisal Report,, Ohrmund Land. Co.; reflects retail value reduced by discounted cash flow of approximately 32% (see APPENDIX III hereof).



**APPENDIX V**

**FORM OF OPINION OF BOND COUNSEL**

**LEGAL OPINION  
CITY OF SAN DIEGO**

**ASSESSMENT DISTRICT NO. 4030  
(OTAY MESA INDUSTRIAL PARK)**

**1915 ACT LIMITED OBLIGATION IMPROVEMENT BONDS  
(the "Bonds")**

We have examined the record of the proceedings of the CITY COUNCIL of the CITY OF SAN DIEGO, CALIFORNIA (the "Issuer"), for the levy of special assessments and authorization and issuance of the Bonds in the aggregate principal amount of \$2,235,000.00 upon unpaid assessments in what is known and designated as ASSESSMENT DISTRICT NO. 4030 (OTAY MESA INDUSTRIAL PARK) as set forth and described in a Resolution of Intention, being Resolution No. R279524, as approved and adopted by the City Council of the Issuer on March 16, 1992.

The proceedings were taken pursuant to the provisions of the Municipal Improvement Act of 1913, being Division 12 of the Streets and Highways Code of the State of California, with the Bonds issued pursuant to the provisions of the Improvement Bond Act of 1915, being Division 10 of said Code. This examination covers the proceedings down to and including the issuance and execution of the Bonds by the Treasurer. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. No examination has been made of the ownership and use of the property assessed.

From our examination, we are of the opinion that the proceedings have been taken in accordance with the laws, court decisions and constitution of the State of California, and in substantial compliance with the provisions of the Municipal Improvement Act of 1913, that the Bonds, having been issued in duly authorized form and executed by the proper officials and delivered in the manner provided by law, are regularly issued Bonds, and that the payment of each of the Bonds is secured by valid assessment liens upon certain lands as described in said proceedings.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization and other similar laws affecting creditors' rights, or equitable principles relating to or limiting creditors' rights.

In our opinion, the interest on the Bonds is excluded from gross income for federal income tax purposes, is exempt from personal income taxation by the State of California, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. This opinion presumes that the Issuer complies with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal or state income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

Respectfully submitted,

BROWN, DIVEN & HENTSCHKE