



AGENDA

Meeting of the Successor Agency of the Scotts Valley Redevelopment Agency

Date: March 15, 2017

Time: 6:00 p.m.

<p>SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY 1 Civic Center Drive Scotts Valley, CA 95066 (831) 440-5602</p>	<p>MEETING LOCATION Scotts Valley City Council Chambers 1 Civic Center Drive Scotts Valley, CA 95066</p>
<p>OFFICIALS Randy Johnson, Chair Jim Reed, Vice Chair Stephany E. Aguilar, Board Member Jack Dilles, Board Member Donna Lind, Board Member</p>	<p>POSTING The agenda was posted 3-10-17 at City Hall, Scotts Valley Senior Center, Scotts Valley Library and on the Internet at www.scottsvalley.org.</p>

Notice regarding Successor Agency of the Scotts Valley Redevelopment Agency Meetings:

The Successor Agency Board of Directors of the Scotts Valley Redevelopment Agency meets regularly on the 1st and 3rd Wednesday of each month, immediately following the Scotts Valley City Council meeting, which begins at 6:00 pm in the City Hall Council Chambers located at 1 Civic Center Drive, Scotts Valley, CA 95066.

Agenda and Agenda Packet Materials:

The Successor Agency of the Scotts Valley Redevelopment Agency agenda and the complete agenda packet are available for review by 5:00 pm the Friday before the Wednesday meeting on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.

Televised Meetings:

The Successor Agency of the Scotts Valley Redevelopment Agency Board meetings are cablecast "Live" on Community Television of Santa Cruz County on Comcast Channel 25.

CALL TO ORDER 6:00 p.m.

ROLL CALL

PUBLIC COMMENT TIME

(This is the opportunity for individuals to make and/or submit written or oral comments to the Board on any items within the purview of the Board, which are **NOT** part of the Agenda. No action on the item may be taken, but the Board may request the matter be placed on a future agenda.)

ALTERATIONS TO CONSENT AGENDA

(Board can remove or add items to the Consent Agenda.)

CONSENT AGENDA

(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

- A. Approve Successor Agency Board meeting minutes of 1-18-17

ALTERATIONS TO REGULAR AGENDA

(Board can remove or add items to the Regular Agenda.)

REGULAR AGENDA

(Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

1. Consider approval of Resolution No. SA-40 a resolution of the Board of the Successor Agency of the Scotts Valley Redevelopment Agency confirming the issuance of refunding bonds, approving preliminary and official statements, and providing for other matters properly related thereto
2. Future Board agenda items
(This portion of the Regular Agenda allows the Successor Agency to determine items to be placed on a future agenda and to choose a date, if so desired.)

ADJOURNMENT

The Successor Agency of the Scotts Valley Redevelopment Agency does not discriminate against persons with disabilities. The Scotts Valley City Council Chambers is an accessible facility. If you wish to attend a Board meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the Secretary's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a Board meeting be available in an alternative format consistent with a specific disability, please call the Secretary's Office. The California State Relay Service (TDD to voice: 1-800-735-2929, voice to TDD: 1-800-735-2922), provides Telecommunications Devices for the Deaf and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



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MINUTES

Meeting of the Successor Agency of the Scotts Valley Redevelopment Agency

Date: January 18, 2017

POSTING:

The agenda was posted on 1-13-17
at City Hall, the SV Senior Center, and
the SV Library, by the City Clerk.

CALL TO ORDER 6:02 p.m.

ROLL CALL

Present: Randy Johnson, Chair
 Jim Reed, Vice Chair
 Stephany E. Aguilar, Board Member
 Jack Dilles, Board Member
 Donna Lind, Board Member
 Jenny D. Haruyama, Executive Director
 Tracy A. Ferrara, Secretary
 Kirsten Powell, Agency Counsel
 Taylor Bateman, Acting Community Development Director

PUBLIC COMMENT

Gary Richard Arnold, spoke regarding documents distributed by AMBAG to planning departments that affects local agencies

**ALTERATIONS TO
CONSENT AGENDA**

M/S: Reed/Lind
To approve the Consent Agenda.
Carried 5/0 (AYES: Aguilar, Dilles, Johnson, Lind, Reed)

CONSENT AGENDA

- A. Approve Successor Agency Board meeting minutes of 12-7-16
- B. Approve Resolution No. SA-38, approving a proposed administrative budget for the twelve-month fiscal period from July 1, 2017 through June 30, 2018, and taking certain other related actions
- C. Approve Resolution No. SA-39, approving the Recognized Obligation Payment Schedule for the twelve-month fiscal period from July 1, 2017 through June 30, 2018 and taking certain related actions

ADJOURNMENT The meeting adjourned at 6:05 p.m.

Approved: _____
Randy Johnson, Chair

Attest: _____
Tracy A. Ferrara, Secretary

Successor Agency of the Scotts Valley Redevelopment Agency AGENCY BOARD STAFF REPORT

DATE: March 15, 2017

TO: Honorable Chair and Successor Agency Board

FROM: Jenny Haruyama, Executive Director

SUBJECT: **APPROVAL OF A RESOLUTION NO. SA-40 CONFIRMING THE ISSUANCE OF REFUNDING BONDS, APPROVING PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO**

SUMMARY OF ISSUE

The Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was authorized to act under the Community Redevelopment Law of the State of California (the "Redevelopment Law"), and a redevelopment plan was adopted for the Scotts Valley Redevelopment Project (the "Project Area"). The Former Agency was dissolved pursuant to Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code (the "Dissolution Act"), and the City of Scotts Valley (the "City") elected to serve as the successor entity to the Former Agency (the "Successor Agency").

At its meeting of November 2, 2016, the Successor Agency Board approved the refinancing of three obligations of the Successor Agency, as shown below:

- A reimbursement obligation (the "2003 Reimbursement Obligation") of the Former Agency related to the City's \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 COPs").
- The Former Agency's \$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds").
- A reimbursement obligation (the "2009 Reimbursement Obligation") of the Former Agency related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Bonds") and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the "2009B Bonds") (collectively, the 2009 Bonds).

Since that time, the State Department of Finance (DOF) has rejected inclusion of the 2003 COPs as a "prior obligation," meaning that tax increment from the Project Area cannot be used to pay debt service on that obligation. DOF did approve the refinancing of the 2006 Bonds and the 2009 Bonds (collectively, the "Prior Obligations"). Consequently, the Successor Agency can only issue refunding bonds (the "2017 Refunding Bonds") for the purpose of refunding these Prior Obligations.

The Successor Agency Board is now being asked to approve the refinancing of the Preliminary Official Statement and Bond Purchase Agreement for the 2017 Refunding Bonds, because these documents were not approved at the Board's November 2nd meeting.

Discussion and Action Items

All of the Prior Obligations are secured by tax increment revenues from the Project Area. The 2009 Bonds are also payable from lease payments made by the City from its General Fund, but so far have been paid solely from tax increment revenues.

Current market conditions for municipal bonds indicate that the Successor Agency can refund the Prior Obligations and reduce its debt service payments. This will increase the amount of residual property tax revenues that are available to be distributed to affected taxing entities. In addition, because the proposed 2017 Refunding Bonds will be payable solely by the Successor Agency from tax increment revenues, the City will no longer have a payment obligation related to the 2009 Bonds.

The City's finance team has determined that a public offering is the most cost effective means of selling the proposed 2017 Refunding Bonds. Accordingly, the City's finance team went through an RFP process to hire a bond underwriting firm. The City's finance team recommends that the firm of Stifel, Nicolaus & Company, Incorporated be retained as the bond underwriter.

The Successor Agency Board is being asked to adopt an authorizing resolution (Attachment 1) that does the following:

1. Confirms its action on November 2, 2016 approving the baseline legal documents for the proposed refinancing.
2. Approves the draft preliminary official statement (Attachment 2). This document discloses to potential investors the risks associated with owning the proposed 2017 Refunding Bonds.
3. Approves the draft bond purchase contract (Attachment 3). This document sets forth the terms and conditions under which Stifel Nicolaus will purchase the 2017 Refunding Bonds from the Successor Agency.

The Preliminary Official Statement included as Attachment 2 has been reviewed and approved for transmittal to the Successor Agency Board by the Successor Agency's financing team. The distribution of the Preliminary Official Statement by the Successor Agency is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the 2017 Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2017 Refunding Bonds. If the Successor Agency Board concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the 2017 Refunding Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

The Securities and Exchange Commission (the "SEC"), the agency with regulatory authority over the Successor Agency's compliance with the federal securities laws, has issued guidance as to the duties of the Successor Agency Board with respect to its approval of the Preliminary Official Statement. In its "Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors" (Release No. 36761 / January 24, 1996) (the "Release"), the SEC indicated that, if a member of the Successor Agency Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the 2017 Refunding Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Successor Agency Board could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

The security for the 2017 Refunding Bonds is described in the section of the Preliminary Official Statement entitled "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS."

The Tax Revenues pledged for repayment for the 2017 Refunding Bonds are described in the sections of the Preliminary Official Statement entitled "PROJECT AREA" and "TAX REVENUES AND DEBT SERVICE COVERAGE."

The primary risk factors to be considered by potential investors in the 2017 Refunding Bonds are described in "RISK FACTORS."

FISCAL IMPACT

Total cash flow savings over the remaining amortization period of the bonds (final principal payment in 2039) are estimated at \$1.49 million, or an approximate average of \$64,000 per year. Of this total, the City of Scotts Valley General Fund will receive 8.3%, or an annual average of about \$5,800 per year. Total estimated cash flow savings to the City are estimated at approximately \$135,000. The vast majority of the remaining cash flow savings will go to the State of California. Even though cash flow savings may pass directly to local school districts, for example, there is a dollar for dollar reduction in their State aid for any residual revenue from the Successor Agency.

The main benefit the City receives from doing this transaction is to free liens on City real estate that is currently pledged as security for most of the City's debt obligation. Fortunately, Assured Guaranty Municipal ("AGM") is the bond insurer on all of these obligations. AGM will be the bond insurer on the proposed 2017 Refunding Bonds. Accordingly, AGM has agreed to release the lien on City Hall and the Corporation Yard when the proposed Successor Agency refinancing closes.

Table 1 below summarizes the various City real estate assets that are presently encumbered by four different obligations of the City. Note that the 1997 COPs and the 2013 COPs are not secured by tax increment and are not being refunded by the proposed 2017 Refunding Bonds. The 1997 COPs are non-callable, and the 2013 COPs cannot be called until 2023. Consequently, some property will need to remain encumbered because these two obligations cannot be paid off at this time.

Refunding the 2009 Bonds will release the lien on the library. The 1997 COPs, 2003 COPs, and 2013 COPs are secured by the City Hall, the corporation yard and the wastewater treatment plant. Note that the estimated value of these properties, as shown in the City's annual financial

report, will be substantially greater than the outstanding obligations secured by those properties following the refunding of the 2006 Bonds and the 2009 Bonds.

**Table 1
Scotts Valley Liened Asset Summary as of January 30, 2017**

Asset	1997 COPs	2003 COPs	2009 Bonds (Refunded by 2017 Bonds)	2013 COPs	Current Insured Value of Structures
Outstanding Par Value	\$1,250,588	\$1,000,000	\$8,760,000	\$4,200,000	
City Hall	Yes	Yes	No	Yes	\$2,202,383
Corporation Yard	Yes	Yes	No	Yes	\$1,333,837
Wastewater Treatment Plant	Yes	Yes	No	Yes	\$20,682,235
City Library	No	No	Yes	No	\$7,214,267
Total debt secured by City Hall, Corporation Yard and Wastewater Treatment Plant	\$6,450,588				
Total debt Secured by Library	\$8,760,000				
Total debt secured by City assets before proposed refunding	\$15,210,588				
Total debt secured by City assets after proposed refinancing	\$6,450,588				
Total insured value for all liened assets					\$31,432,722

STAFF RECOMMENDATION

It is recommended that the Successor Agency Board adopt the following resolution:

A Resolution Of The Board Of The Successor Agency Of The Scotts Valley Redevelopment Agency Confirming The Issuance Of Refunding Bonds, Approving Preliminary And Final Official Statements And Providing For Other Matters Properly Relating Thereto

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RESOLUTION NO. SA-40

A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY CONFIRMING THE ISSUANCE OF REFUNDING BONDS, APPROVING PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State (as amended, the "Redevelopment Law");

WHEREAS, a redevelopment plan for the Scotts Valley Redevelopment Project was adopted in compliance with all requirements of the Redevelopment Law, (as such plan was amended pursuant to the Redevelopment Law, the "Redevelopment Plan");

WHEREAS, Assembly Bill x1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act");

WHEREAS, pursuant to Section 34172(a) of the Dissolution Act, the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Dissolution Act, the City of Scotts Valley (the "City") has elected to serve as the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency incurred, among others, the obligations listed on Exhibit A for the purpose of financing and refinancing redevelopment activities (the "Prior Obligations");

WHEREAS, the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, the Successor Agency, pursuant to Resolution No. SA-36 (the "SA Resolution"), adopted on November 2, 2016, approved the issuance of the following bonds (the "Refunding Bonds"):

(a) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the “2017A Bonds”), which the Successor Agency expects to issue for the purpose of refunding the 2006 Bonds and the portion of the 2009 Reimbursement Obligation related to the 2009A Lease Revenue Bonds, and

(b) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”), which the Successor Agency expects to issue for the purpose of refunding the portion of the 2009 Reimbursement Obligation related to the 2009B Lease Revenue Bonds;

WHEREAS, the Successor Agency requested that the Oversight Board for the Successor Agency (the “Oversight Board”) approve the issuance of the Refunding Bonds by the Successor Agency;

WHEREAS, the Oversight Board, by Resolution No. OB-33 (the “OB Resolution”), adopted on November 3, 2016, approved the issuance of the Refunding Bonds by the Successor Agency, and the OB Resolution, together with additional materials, were submitted to the California Department of Finance for its approval of the OB Resolution and the issuance of the Refunding Bonds;

WHEREAS, pursuant to the SA Resolution, the Successor Agency authorized and directed staff, following a competitive process and without further authorization or approval by this Board, to determine whether the Refunding Bonds should be sold in a public offering to an underwriter to be identified by staff or privately placed with a financial institution to be identified by staff, and whether to fund a reserve fund for the Refunding Bonds, with such determinations to be based upon staff’s conclusion, subject to compliance of the sale with the parameters set forth in the SA Resolution, that the method of sale selected by staff will result in the lowest long-term cost financing; and

WHEREAS, the Successor Agency, with the assistance of its disclosure counsel, Richards, Watson & Gershon, A Professional Corporation, has prepared a draft of the Official Statement for the Refunding Bonds (the “Official Statement”), which contains, among other things, information regarding the Refunding Bonds, the Former Agency and the Successor Agency, the preliminary form of which is on file with the Secretary of the Successor Agency; and

WHEREAS, staff, after consulting with the Successor Agency’s municipal advisor, has concluded that a negotiated sale of the Refunding Bonds will result in the lowest long-term cost of financing and has selected Stifel, Nicolaus & Company, Incorporated to be the underwriter of the Refunding Bonds (the “Underwriter”); and

WHEREAS, the Successor Agency has prepared a draft of a Bond Purchase Contract for the Refunding Bonds (the “Bond Purchase Contract”), which would be executed by the Successor Agency and the Underwriter; and

WHEREAS, the Successor Agency, with the aid of its staff, has reviewed the Official Statement and wishes at this time to approve its use and distribution as in the public interests of the Successor Agency and applicable taxing entities, and further wishes to approve the use of the Bond Purchase Contract;

NOW, THEREFORE, the Board of the Successor Agency of the Scotts Valley Redevelopment Agency, hereby resolves as follows:

1. Recitals. The Successor Agency finds and determines that the above referenced recitals are true and correct and material to this Resolution
2. Confirmation of Issuance of Refunding Bonds. The Successor Agency hereby confirms its actions in the SA Resolution authorizing and approving the issuance and sale of the Refunding Bonds.
3. Approval of Official Statement. The Successor Agency hereby approves the preliminary Official Statement in substantially the form on file with the Secretary of the Successor Agency. Distribution of the preliminary Official Statement by the Successor Agency and the Underwriter is hereby approved, and, prior to the distribution of the preliminary Official Statement, each of the Chair, the Executive Director, the City Attorney, as the general counsel of the Successor Agency and the Finance Director, as the treasurer of the Successor Agency (each, an "Authorized Officer"), each acting alone, is authorized and directed, on behalf of the Successor Agency, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by the Authorized Officer executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Refunding Bonds, and each Authorized Officer, acting alone, is authorized and directed to execute and deliver the final Official Statement for and on behalf of the Successor Agency, to deliver to the Underwriter a certificate with respect to the information set forth therein and to deliver to the Underwriter a continuing disclosure undertaking substantially in the form appended to the final Official Statement.
4. Bond Purchase Contract. The Successor Agency hereby approves the sale of the Refunding Bonds to the Underwriter pursuant to the Bond Purchase Contract. The Authorized Officers, each acting alone, are hereby authorized and directed to execute and deliver the Bond Purchase Contract for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary of the Successor Agency, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Contract. The Successor Agency

hereby authorizes the delivery and performance of its obligations under the Bond Purchase Contract.

5. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

6. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 15th day of March, 2017 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Approved: _____
Randy Johnson, Chair

Attest:

Tracy A. Ferrara, Agency Secretary

EXHIBIT A

PRIOR OBLIGATIONS

\$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

NEW ISSUE – Book-Entry Only

Insured rating (Insured Bonds only): S&P: “____”
 Underlying, uninsured rating: S&P: “____”
 See “CONCLUDING INFORMATION – Ratings.”

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2017A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that for the purposes of computing the alternative minimum tax imposed on certain corporations such interest is required to be taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2017 Bonds is exempt from California personal income taxation. **Interest on the 2017B Bonds is included in gross income for federal income tax purposes.** See “CONCLUDING INFORMATION - Tax Matters.”*

\$ _____ *

**SUCCESSOR AGENCY OF THE
 SCOTTS VALLEY REDEVELOPMENT AGENCY
 2017 TAX ALLOCATION REFUNDING BONDS
 SERIES A**

\$ _____ *

**SUCCESSOR AGENCY OF THE
 SCOTTS VALLEY REDEVELOPMENT AGENCY
 2017 TAX ALLOCATION REFUNDING BONDS
 TAXABLE SERIES B**

Dated: Date of Delivery

Due: September 1, as shown on inside cover

The Successor Agency of the Scotts Valley Redevelopment Agency (the “Successor Agency”) is issuing its 2017 Tax Allocation Refunding Bonds, Series A (the “2017A Bonds”), pursuant to an Indenture of Trust, dated as of April 1, 2017 (the “Master Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and its 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds” and, together with the 2017A Bonds, the “2017 Bonds”), pursuant to Master Indenture, as supplemented by a First Supplement to Indenture of Trust, dated as of April 1, 2017 (the “First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), by and between the Successor Agency and the Trustee. Proceeds from the sale of the 2017 Bonds of each series will be applied to: (i) refund certain prior obligations incurred by the former Scotts Valley Redevelopment Agency (the “Former Agency”), (ii) pay for a proportionate portion of the premium for a debt service reserve insurance policy to be credited to a debt service reserve account established under the Indenture, and (iii) pay costs of issuance of the relevant series of the 2017 Bonds.

The 2017 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 2017 Bonds. Individual purchases of the 2017 Bonds of each series may be made in book-entry form only, in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the 2017 Bonds purchased. Principal of and interest on the 2017 Bonds will be paid directly to DTC by the Trustee. Principal of the 2017 Bonds will be payable on the dates set forth on the inside cover of this Official Statement. Interest on the 2017 Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2017. Upon its receipt of payment of principal and interest, DTC in turn will be obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the 2017 Bonds.

The 2017 Bonds will be subject to optional redemption and mandatory sinking fund redemption prior to their maturity as described in this Official Statement.*

The 2017 Bonds will be payable from and secured by Tax Revenues (as defined in the Indenture) derived from a project area of the Former Agency, known as the Scotts Valley Redevelopment Project, and moneys in certain funds pledged under the Indenture, as further described in this Official Statement.

The scheduled payment of principal of and interest on the 2017A Bonds maturing on September 1 of 20__ through September 1, of 20__, inclusive, and the 2017B Bonds maturing on September 1 of 20__ through September 1, of 20__, inclusive, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2017 Bonds by _____. See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

[BOND INSURER LOGO]

The 2017 Bonds will not be a debt, liability or obligation of the City of Scotts Valley (the “City”), the State of California (the “State”), or any of its political subdivisions other than the Successor Agency. None of the City, the State nor any of its political subdivisions, other than the Successor Agency, will be liable for the 2017 Bonds. None of the members of the governing bodies or officers of the Successor Agency, the City nor any person executing the 2017 Bonds or the Indenture will be liable personally with respect to the 2017 Bonds. The obligations of the Successor Agency with respect to the 2017 Bonds will be payable solely from Tax Revenues and the funds pledged pursuant to the Indenture. The Successor Agency has no taxing power.

This cover page contains certain information for general reference only. It is not intended to be a summary of all factors relating to an investment in the 2017 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used and not defined on this cover page have the meanings set forth in this Official Statement. For a discussion of some of the risks associated with a purchase of the 2017 Bonds, see “RISK FACTORS.”

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the dated date of the Official Statement in its final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

STIFEL

The 2017 Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, serves as Disclosure Counsel to the Successor Agency in connection with the issuance of the 2017 Bonds. Certain legal matters will also be passed upon for the Successor Agency by its General Counsel. Certain legal matters will be passed upon for the Underwriter by their counsel, Norton Rose Fulbright US LLP. It is anticipated that the 2017 Bonds will be available for delivery in book-entry form through the facilities of DTC on or about _____, 2017.

Dated: _____, 2017

MATURITY SCHEDULE

\$ _____ *

**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY
2017 TAX ALLOCATION REFUNDING BONDS , SERIES A**

\$ _____ Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] (Base:)
--	-----------------------------	--------------------------	--------------	--------------	---------------------------------------

\$ _____ % Term Bond due September 1, 20__, Yield _____%; Price: _____; CUSIP[†]: _____
\$ _____ % Term Bond due September 1, 20__, Yield _____%; Price: _____; CUSIP[†]: _____

\$ _____ *

**SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY
2017 TAX ALLOCATION REFUNDING BONDS , TAXABLE SERIES B**

\$ _____ Serial Bonds

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] (Base:)
--	-----------------------------	--------------------------	--------------	--------------	---------------------------------------

\$ _____ % Term Bond due September 1, 20__, Yield _____%; Price: _____; CUSIP[†]: _____
\$ _____ % Term Bond due September 1, 20__, Yield _____%; Price: _____; CUSIP[†]: _____

* Preliminary; subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP © 2017 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided for convenience of reference only. Neither the Successor Agency nor the Underwriter takes any responsibility for the accuracy of such numbers.

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY
City of Scotts Valley, Santa Cruz County, California

CITY COUNCIL/ SUCCESSOR AGENCY BOARD OF DIRECTORS

Randy Johnson, *Mayor/Chair*
Jim Reed, *Vice Mayor/Vice Chair*
Stephany Aguilar, *Council Member/Board Member*
Jack Dilles, *Council Member/Board Member*
Donna Lind, *Council Member/Board Member*

CITY/SUCCESSOR AGENCY STAFF

Jenny Haruyama, *City Manager/Executive Director*
Tracy A. Ferrara, *City Clerk/Agency Secretary*
Laurie Grundy, *Accountant II*
Kirsten Powell, *City Attorney/General Counsel*

SPECIAL SERVICES

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

Bond Counsel

Jones Hall,
A Professional Law Corporation
San Francisco, California

Disclosure Counsel

Richards, Watson & Gershon,
A Professional Corporation
Los Angeles, California

Fiscal Consultant

Fraser & Associates
Roseville, California

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

Estimates and Forecasts. Certain statements included or incorporated by reference in this Official Statement and in any continuing disclosure by the Successor Agency, any press release and in any oral statement made by or with the approval of an authorized officer of the City, acting as the Successor Agency, or any other entity described or referenced in this Official Statement, constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “anticipate,” “estimate,” “budget,” or other similar words and include, but are not limited to, statements under the captions “PROJECT AREA” and “TAX REVENUES AND DEBT SERVICE COVERAGE.” The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. While the Successor Agency has undertaken to provide certain on-going financial and other data pursuant to a Continuing Disclosure Certificate (see “CONCLUDING INFORMATION – Continuing Disclosure”), the Successor Agency does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based change.

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

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Successor Agency to give any information or to make any representations in connection with the offer or sale of the 2017 Bonds other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Successor Agency or the Underwriter. 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 2017 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information as of Dated Date of Official Statement. The information and expressions of opinions in this Official Statement are subject to change without notice. Neither delivery of this Official Statement nor any sale of the 2017 Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or any other entity described or referenced in this Official Statement since the dated date shown on the front cover. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions.

Stabilization of Prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the 2017 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 2017 Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside front cover and said public offering prices may be changed from time to time by the Underwriter.

No Incorporation of Websites. References to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including, but not limited to, the content of the City’s website and pages pertaining to the Successor Agency on the City’s website) is incorporated by reference. The Successor Agency makes no representation regarding the accuracy or completeness of information presented on such websites.

THE 2017 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE 2017 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAW OF ANY STATE.

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\$ _____*
**SUCCESSOR AGENCY OF THE
SCOTTS VALLEY
REDEVELOPMENT AGENCY
2017 TAX ALLOCATION
REFUNDING BONDS
SERIES A**

\$ _____*
**SUCCESSOR AGENCY OF THE
SCOTTS VALLEY
REDEVELOPMENT AGENCY
2017 TAX ALLOCATION
REFUNDING BONDS
TAXABLE SERIES B**

INTRODUCTION

This Introduction does not purport to be complete, and reference is made to the body of this Official Statement, appendices and the actual documents for more complete information with respect to matters concerning the 2017 Bonds. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used in this Official Statement and not defined herein shall have the meanings set forth in “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

General

This Official Statement, including the cover page, the inside front cover and appendices, is being provided in connection with the sale by the Successor Agency of the Scotts Valley Redevelopment Agency (the “Successor Agency”) of its \$ _____* aggregate principal amount 2017 Tax Allocation Refunding Bonds, Series A (the “2017A Bonds”), pursuant to an Indenture of Trust, dated as of _____ 1, 2017 (the “Master Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and its \$ _____* aggregate principal amount 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds” and, together with the 2017A Bonds, the “2017 Bonds”), pursuant to Master Indenture, as supplemented by a First Supplement to Indenture of Trust, dated as of April 1, 2017 (the “First Supplemental Indenture” and, together with the Master Indenture, the “Indenture”), by and between the Successor Agency and the Trustee.

Proceeds from the sale of the 2017 Bonds of each series will be applied to: (i) refund certain prior obligations (the “Prior Agency Obligations”) incurred by the former Scotts Valley Redevelopment Agency (the “Former Agency”), (ii) make a deposit into a debt service reserve account (the “Reserve Account”) established under the Indenture or pay for a portion of the premium for a debt service reserve insurance policy (the “Reserve Policy”) to be credited to the Reserve Account, and (iii) pay costs of issuance of the relevant series of the 2017 Bonds.

The 2017A Bonds are being issued to refund the following Prior Agency Obligations:

- Scotts Valley Redevelopment Project Tax Allocation Bonds, Issue of 2006, issued by the Former Agency (the “2006 Bonds”), in the outstanding principal amount of \$3,360,000; and
- reimbursement payments (the “2009A Reimbursement Obligations”), related to Lease Revenue Bonds, Series 2009A, issued by the Former Agency (the “2009A Bonds”), in the outstanding principal amount of \$5,260,000.

* Preliminary; subject to change.

The 2017B Bonds are being issued to refund reimbursement payments (the “2009B Reimbursement Obligations”), related to Lease Revenue Bonds, Series 2009B (Taxable), issued by the Former Agency (the “2009 Bonds”), in the outstanding principal amount of \$3,500,000. The refunding of the 2009A Reimbursement Obligations and the 2009B Reimbursement Obligations will cause a corresponding defeasance of the 2009A Bonds and the 2009B Bonds.

The Former Agency was established pursuant to the Community Redevelopment Law (the “Redevelopment Law”) of the State of California (the “State”), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code. The Former Agency undertook a program to redevelop a project area known as the Scotts Valley Redevelopment Project (the “Project Area”), located in the City of Scotts Valley (the “City”).

As further discussed below, the Former Agency was dissolved as of February 1, 2012, pursuant to legislation passed as part of the State’s 2011 Budget Act. Before the Former Agency’s dissolution, the City Council of the City adopted Resolution No. 1873 on January 11, 2012, and elected for the City to serve as the Successor Agency. As clarified by California Health and Safety Code Section 34173(g), the City and the Successor Agency are separate entities and are not merged as the result of the City’s election to serve as the Successor Agency. The Successor Agency is authorized to issue bonds to refund debt of the Former Agency pursuant to Health and Safety Code Section 34177.5 and Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Refunding Bond Law”).

The 2017 Bonds will be payable from and secured by Tax Revenues (as defined in the Indenture; see below under “Security for 2017 Bonds” and “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS”) derived from the Project Area and moneys in certain funds pledged for the 2017 Bonds under the Indenture, as further described in this Official Statement. Pursuant to the Indenture, after the issuance of the 2017 Bonds, the Successor Agency may incur additional debt payable from Tax Revenues on a parity with the 2017 Bonds (“Parity Debt”), but solely for refunding purposes. The 2017 Bonds and any Parity Debt issued under the Indenture, as supplemented by supplemental indentures, are collectively referred to in the Indenture and this Official Statement as the “Bonds.”

The scheduled payment of principal of and interest on the 2017A Bonds maturing on September 1 20__ through September 1 through 20__, inclusive, and the 2017B Bonds maturing on September 1 20__ through September 1 through 20__, inclusive (together, the “2017 Insured Bonds”), when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2017 Bonds by _____ (the “Bond Insurer”). See “BOND INSURANCE” and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Interest on the 2017 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2017. The 2017 Bonds of each series will be subject to optional redemption and mandatory sinking fund redemption prior to maturity as described in this Official Statement.*

The 2017 Bonds, when issued and delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the 2017 Bonds and all payments due on the 2017 Bonds will be made to Cede & Co. Ownership interests in the 2017 Bonds may be purchased only in book-entry form. **So long as the 2017 Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners, or just “Owners,” of the 2017 Bonds shall mean Cede**

* Preliminary; subject to change.

& Co. or such other nominee of DTC, and shall not mean the beneficial owners of the 2017 Bonds. See “2017 BONDS – Book-Entry Only System” and “APPENDIX G – DTC’S BOOK-ENTRY ONLY SYSTEM.”

City of Scotts Valley

The City is approximately 5 square miles in size, located in northern Santa Cruz County (the “County”), in the redwoods of the Santa Cruz Mountains. The City encompasses approximately five square miles and is located approximately six miles north of the City of Santa Cruz, 30 miles southwest of the City of San Jose and 68 miles south of the City of San Francisco. In close proximity to “Silicon Valley,” significant portions of the City’s population work in the high technology industry. Based on an estimate by the California Department of Finance, the City’s population was 12,143, as of January 1, 2016. The City was incorporated in 1966 and operates as a general law city, with a Council-Manager form of government. The City Council is comprised of the Mayor and four council members, all elected to four-year terms. The City Council appoints the City Manager, who is responsible for the day-to-day administration of City business and the coordination of all departments of the City. For further general information regarding the City, see “APPENDIX A – CITY OF SCOTTS VALLEY GENERAL INFORMATION.”

Dissolution of Former Agency; Establishment of Successor Agency

The Former Agency was established on June 19, 1980, by action of the City Council pursuant to the Redevelopment Law. The Former Agency was a separate public body and exercises governmental functions in planning and carrying out redevelopment projects.

In June 2011, as part of the State’s 2011 Budget Act, the State Legislature enacted Assembly Bill No. 26 of the First Extraordinary Session (“AB X1 26”). The California Supreme Court, by its decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* 53 Cal. 4th 231 (2011) (the “CRA Lawsuit”), largely upheld AB X1 26, with modifications regarding certain deadlines that were delayed because of the CRA Lawsuit. The primary provisions of AB X1 26 are set forth in Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the “Dissolution Act”). The Dissolution Act has been amended and supplemented several times since its original enactment, including significant amendments that became effective in June 2012, pursuant to Assembly Bill No. 1484 (“AB 1484”), and in September 2015, pursuant to Senate Bill No. 107 (“SB 107”).

The Dissolution Act provides for the establishment of a successor agency for each former redevelopment agency. As the result, the Successor Agency was constituted. The Successor Agency is tasked with winding down the Former Agency’s affairs. Upon the Former Agency’s dissolution, all of the Former Agency’s assets, properties, contracts, leases, books and records were transferred to the control of the Successor Agency by operation of law. The Successor Agency is required to continue to make payments for enforceable obligations (as defined under the Dissolution Act). The Successor Agency does not have any legal authority to participate in redevelopment activities, except to complete work related to enforceable obligations.

Even though the City has elected to serve as the Successor Agency, the Dissolution Act expressly provides that the City and the Successor Agency are separate public entities. None of the liabilities of the Former Agency are transferred to the City by virtue of the City’s election to serve as the Successor Agency. (Assets of the Former Agency were not transferred to the City by virtue of the City’s election to serve as the Successor Agency. However, see discussion under “SUCCESSOR AGENCY – Transfers to Housing Successor” regarding the transfer of certain housing assets to the City,

in the City's capacity as the housing successor pursuant to the Dissolution Act). The 2017 Bonds will not be a debt, liability or obligation of the City, the State or any of its political subdivisions other than the Successor Agency.

Pursuant to the Dissolution Act, a seven-member Oversight Board of the Successor Agency (the "Oversight Board") has been established, consisting of representatives from various local taxing agencies. Many of the Successor Agency's actions are subject to the direction of, or prior approval by, the Oversight Board. For example, the establishment of each Recognized Obligation Payment Schedule (the "Recognized Obligation Payment Schedule" or the "ROPS") described below must be approved by the Oversight Board. With limited exceptions, resolutions adopted by the Oversight Board are subject to review by the California State Department of Finance (the "State Department of Finance" or the "DOF") before becoming effective. Certain Successor Agency matters are also subject to review by the County Auditor-Controller and the State Controller. See "SUCCESSOR AGENCY."

Project Area; Redevelopment Plan

The Project Area is comprised of approximately 988 acres, or approximately 40 percent of the total incorporated area of the City. The fiscal year 2016-17 secured assessed value of the taxable property in the Project Area is approximately \$965 million. Residential land uses account for approximately 60 percent of the secured assessed valuation, with commercial uses account for approximately 20 percent and industrial uses account for approximately 10 percent.

The City Council adopted Ordinance No. 142 on November 27, 1990 (the "Original Plan Ordinance"), approving a redevelopment plan (the "Original Plan") for the Project Area. The Original Plan has been amended three times: (i) on October 19, 1994, by Ordinance No. 142.3, (ii) on February 20, 2002, by Ordinance No. 142.6 and (iii) on December 15, 2010, by Ordinance No. 142.6. The Original Plan, as amended, is referred to in this Official Statement as the "Redevelopment Plan."

See "PROJECT AREA."

Security for 2017 Bonds

Use of Tax Increment for Prior Agency Obligations Before Dissolution Act

Before the enactment of AB X1 26, a redevelopment agency was authorized to use "tax increment" to repay indebtedness incurred to finance or refinance the redevelopment agency's projects. The Redevelopment Law provided a method for financing projects based upon an allocation of taxes collected within each redevelopment project area. Under this method, the taxable value of a redevelopment project area (or a later added component area of a redevelopment project area) last equalized before the adoption of the redevelopment plan (or, as applicable, the plan amendment adding such component area) became the base year value. Except for any period during which the taxable value dropped below the base year level, the taxing agencies received the taxes produced by applying the then current tax rates to the base year roll. The redevelopment agency generally received taxes collected upon any increase in taxable value over the base year roll. The portion of such property taxes allocated to the redevelopment agency was referred to as "tax increment."

Administration of Property Taxes Allocable to Successor Agency Under Dissolution Act

After the dissolution of the Former Agency, the Dissolution Act requires the County Auditor-Controller to establish a fund, known as the Redevelopment Property Tax Trust Fund (the "RPTTF"), for the Successor Agency. Each fiscal year, the County Auditor-Controller must determine the amount of

property taxes (formerly, tax increment) that would have been allocated to the Former Agency had the Former Agency not been dissolved pursuant to the Dissolution Act and deposit such amount into the RPTTF.

The Dissolution Act currently requires that, except in the case where the DOF has approved a Last and Final Recognized Obligation Payment Schedule (the “LFROPS”; see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – RPTTF Flow of Funds – *Last and Final ROPS*”), the Successor Agency must prepare a ROPS once a year (to be submitted to the DOF no later than February 1), listing the payments for enforceable obligations that the Successor Agency expects to make for the upcoming two six-month fiscal periods (*i.e.*, the period from July through December and the period from January through June; each, a “ROPS Payment Period”). The Successor Agency is permitted, however, to hold a reserve when required by the relevant bond indenture or when the next property tax allocation will be insufficient to pay bond debt service for the next payment due in the following half of the calendar year. The Successor Agency is authorized to make payments only pursuant to an enforceable obligation listed on a ROPS approved by the DOF.

As discussed in further detail under “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – RPTTF Flow of Funds,” the Dissolution Act establishes a specific flow of funds for moneys deposited in the RPTTF. Pursuant to this flow of funds, the Successor Agency receives disbursements from the RPTTF only twice each year on the following dates: (i) on each June 1 for the ROPS Payment Period from July 1 to December 31, and (ii) on each January 2 for the ROPS Payment Period from January 1 to June 30.

Pursuant to Health and Safety Code Section 34177.5(g), if an indenture for refunding bonds issued under the Dissolution Act provides that the refunding bonds are secured by a pledge of and lien on property tax revenues, then it means that such refunding bonds are secured by a pledge of and lien on (and shall be repaid from) moneys deposited from time to time in the RPTTF.

Elimination of Housing Set-Aside Under Dissolution Act

Before dissolution, a redevelopment agency was generally required to establish a Low and Moderate Income Housing Fund (the “Housing Fund”) and deposit not less than 20 percent of the tax increment allocated to such redevelopment agency (the “Housing Set-Aside”) into the Housing Fund. The redevelopment agency was to use moneys deposited into the Housing Fund for authorized low and moderate income housing purposes. Because none of the proceeds of the Prior Agency Obligations were used to finance low and moderate income housing projects, the tax increment used to the repayment of the Prior Agency Obligations consisted of only the portion of tax increment not required to be deposited into the Housing Fund (the “80 Percent Portion”). The Dissolution Act has eliminated the Housing Fund and the requirement to deposit the Housing Set-Aside into such fund. Property tax revenues, consisting of the former 80 Percent Portion and the amounts that would have been the Housing Set-Aside, are now deposited into the RPTTF without distinction.

Pledge Under Indenture; Reserve Account

The Bonds (including the 2017 Bonds and any refunding Parity Debt issued under the Indenture) will be secured by a pledge of “Tax Revenues.” Tax Revenues will include all property taxes deposited from time to time into the RPTTF, but excluding: (i) administrative costs due to the County Auditor-Controller pursuant to the Dissolution Act, and (ii) amounts payable pursuant to the Pass-Through Agreements (defined below; see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments – *Negotiated Pass-Through Agreements*) and Sections 33676, 33607.5 and

33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds.

The Trustee will maintain a Reserve Account. Upon the issuance of the 2017 Bonds, the Reserve Requirement (defined below, see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Reserve Account”) will be \$_____. A portion of the proceeds from the sale of the 2017 Bonds will be used to purchase a Reserve Policy in the face amount equal to the initial Reserve Requirement to be credited to the Reserve Account. The Indenture provides that the Successor Agency will have no obligation to replace the Reserve Policy or to fund the Reserve Account with cash if, at any time that the 2017 Bonds are Outstanding, amounts are not available under the Reserve Policy or if the rating of the claims-paying ability of the Bond Insurer is downgraded.

The Successor Agency will covenant to include in each ROPS a request to the County Auditor-Controller to disburse from the RPTTF to the Successor Agency on each RPTTF Disbursement Date amounts for principal, interest and reserve replenishment with respect to the Bonds, as required by the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS” and “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

The 2017 Bonds will not be a debt, liability or obligation of the City, the State, or any of its political subdivisions other than the Successor Agency as described in this Official Statement. None of the City, the State, nor any of its political subdivisions, other than the Successor Agency, will be liable for the 2017 Bonds. None of the members of the governing bodies or officers of the Successor Agency, the City, nor any person executing the 2017 Bonds or the Indenture will be liable personally with respect to the 2017 Bonds. The obligations of the Successor Agency with respect to the 2017 Bonds will be payable solely from Tax Revenues and the funds pledged pursuant to the Indenture. The Successor Agency has no taxing power.

Continuing Disclosure

In connection with the sale of the 2017 Bonds, the Successor Agency will execute and deliver a Continuing Disclosure Certificate, covenanting to prepare and file an annual report and certain other notices with the Municipal Securities Rulemaking Board. See “CONCLUDING INFORMATION – Continuing Disclosure” and “APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Other Information

There follows in this Official Statement brief descriptions of the 2017 Bonds, security for the 2017 Bonds, certain risk factors, the Indenture, the Successor Agency, the Project Area and certain other documents and information relevant to the issuance of the 2017 Bonds. All references to the 2017 Bonds, the Indenture, the Dissolution Act or other documents or law are qualified in their entirety by reference to such documents or law. Unless context clearly requires otherwise, capitalized terms used but not otherwise defined in this Official Statement have the meanings assigned to them in the Indenture. See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

This Official Statement speaks only as of its date as set forth on the cover. The information and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made with respect to the 2017 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Successor Agency since the date of this Official Statement.

Unless otherwise expressly noted, references to internet websites in this Official Statement are shown for reference and convenience only, and none of their content (including, but not limited to, the content of the City’s website and pages pertaining to the Successor Agency on the City’s website) is incorporated by reference. The Successor Agency makes no representation regarding the accuracy or completeness of information presented on such websites.

PLAN OF REFUNDING

Refunding of Prior Agency Obligations

The 2017 Bonds are being issued to refund the Prior Agency Obligations in full (see “INTRODUCTIONS – General”) and effect a corresponding defeasance and redemption of, respectively, the 2006 Bonds, the 2009A Bonds and the 2009B Bonds (collectively, the “Prior Bonds”). The anticipated redemption dates of the Prior Bonds are set forth as follows:

Prior Bonds	Redemption Date
2006 Bonds	On or about 30 days after closing date (the “2006 Bonds Redemption Date”)
2009A Bonds	October 1, 2019 (the “2009A Bonds Redemption Date”), which is the earliest date that the 2009A Bonds are subject to be optionally redeemed pursuant to their terms
2009B Bonds	October 1, 2019 (the “2009B Bonds Redemption Date”), which is the earliest date that the 2009B Bonds are subject to be optionally redeemed pursuant to their terms

The Successor Agency and The Bank of New York Mellon Trust Company, N.A., as the escrow agent and trustee with respect to the Prior Bonds, will enter into an Escrow Agreement, dated as of April 1, 2017 (the “Escrow Agreement”). Under the Escrow Agreement, the Escrow Agent will establish an escrow fund and, within such escrow fund, two subaccounts designated the “Prior Tax-Exempt Obligations Escrow Subaccount” and the “Prior Taxable Obligations Escrow Subaccount.” Moneys in the Escrow Fund be held solely for the benefit of the holders of the Prior Bonds being refunded and will not serve as security nor be available for payment on the 2017 Bonds.

A portion of the proceeds from the sale of 2017A Bonds[, together with moneys to be released from the funds previously established under the indentures relating to the 2006 Bonds and the 2009A Bonds,] will be deposited into the Prior Tax-Exempt Obligations Escrow Subaccount. A portion of the moneys deposited in the Prior Tax-Exempt Obligations Escrow Subaccount will be invested in escrow securities (comprising non-callable direct obligations of the United States of America, or other non-callable obligations the payment of principal and interest of which are unconditionally and fully guaranteed by the United States of America), with the remaining to be held uninvested in cash. The escrow securities will bear interest rates such that, upon their maturity, the principal and interest paid on the escrow securities, together with the uninvested cash in the Prior Tax-Exempt Obligations Escrow Subaccount, will provide the Escrow Agent sufficient funds to pay: (i) on the 2006 Bonds Redemption Date, the redemption price of the 2006 Bonds to be redeemed; (ii) the scheduled payments of principal and interest with respect to the 2009A Bonds to (and including) the 2009A Bonds Redemption Date (*i.e.*, October 1, 2019), and (iii) on the 2009A Bonds Redemption Date, the redemption price of the 2009A Bonds to be redeemed.

A portion of the proceeds from the sale of 2017B Bonds[, together with moneys to be released from the funds previously established under the indenture relating to the 2009B Bonds,] will be deposited

into the Prior Taxable Obligations Escrow Subaccount. A portion of the moneys deposited in the Prior Taxable Obligations Escrow Subaccount will be invested in escrow securities (comprising non-callable direct obligations of the United States of America, or other non-callable obligations the payment of principal and interest of which are unconditionally and fully guaranteed by the United States of America), with the remaining to be held uninvested in cash. The escrow securities will bear interest rates such that, upon their maturity, the principal and interest paid on the escrow securities, together with the uninvested cash in the Prior Taxable Obligations Escrow Subaccount, will provide the Escrow Agent sufficient funds to pay: (i) the scheduled payments of principal and interest with respect to the 2009B Bonds to (and including) the 2009B Bonds Redemption Date (*i.e.*, October 1, 2019), and (ii) on the 2009B Bonds Redemption Date, the redemption price of the 2009B Bonds to be redeemed.

Causey Demgen & Moore P.C., Denver, Colorado, certified public accountants (the “Verification Agent”), will verify the mathematical accuracy of certain computations included in the schedules provided on behalf of the Successor Agency relating to the computation of forecasted receipts of principal and interest earnings (if any) on the moneys and escrow securities deposited in the Escrow Fund and the forecasted payments of principal and interest in connection with the defeasance of the Prior Bonds being refunded. The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of computations contained in the schedules provided to the Verification Agent and the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to the Verification Agent’s attention, subsequent to the date of its report.

Sources and Uses of Funds

The following is a summary of the anticipated sources and uses of funds relating to the 2017 Bonds:

	2017A Bonds	2017B Bonds
<u>Sources:</u>		
Principal amount	*	*
Plus (less): Original issue premium (discount)		
Plus: Release from funds related to refunded bonds		
Total Sources:		
<u>Uses:</u>		
Underwriter’s Discount		
Deposit into Prior Tax-Exempt Obligations Escrow Subaccount		
Deposit into Prior Taxable Obligations Escrow Subaccount		
Reserve Account		
Costs of Issuance ⁽¹⁾		
Total Uses:		

(1) To pay fees and expenses of Bond Counsel, Disclosure Counsel, Trustee, Municipal Advisor, premium for bond insurance and debt service reserve insurance policy, rating fees, costs of posting and printing this Official Statement, and other costs of issuance relating to the 2017 Bonds.

2017 BONDS

Description

The 2017 Bonds of each series will be issued as fully registered bonds, and will bear interest at the rates, and mature on March 1 or September 1 of the years and in the amounts shown on the inside front cover of this Official Statement. The 2017 Bonds will be dated their date of delivery.

Interest on the 2017 Bonds will be payable semiannually on March 1 and September 1 of each year, commencing September 1, 2017 (each, an “Interest Payment Date”), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each 2017 Bond will bear interest from the Interest Payment Date immediately preceding the date of authentication of such 2017 Bond, unless: (a) it is authenticated after a Record Date (*i.e.*, the 15th calendar day of the month preceding such Interest Payment Date) and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before the first Record Date, in which event it will bear interest from the date of delivery of the 2017 Bonds; provided, however, that if, as of the date of authentication of any 2017 Bond, interest thereon is in default, such 2017 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The 2017 Bonds of each series will be initially delivered as one fully registered certificate for each maturity (unless the 2017 Bonds of such maturity and series bear different interest rates, then one certificate for each interest rate among such maturity and series) and will be delivered by means of the book-entry system of DTC. While the 2017 Bonds are held in DTC’s book-entry only system, all payments of principal of, interest and premium (if any) on the 2017 Bonds will be made to Cede & Co.,

* Preliminary; subject to change.

as the registered owner of the 2017 Bonds. See “Book-Entry Only System” below and “APPENDIX G – DTC’S BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption – 2017A Bonds.* The 2017A Bonds maturing on or before [March][September] 1, 20__ will not be subject to optional redemption prior to their maturity. The 2017A Bonds maturing on or after [March][September] 1, 20__ will be subject to redemption at the option of the Successor Agency on any date on or after [March][September] 1, _____, as a whole or in part, by such maturities as determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at the following redemption price expressed as a percentage of the principal amount of the 2017A Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption:

Redemption Date

Redemption Price

Optional Redemption – 2017B Bonds.* The 2017B Bonds maturing on or before [March][September] 1, 20__ will not be subject to optional redemption prior to their maturity. The 2017B Bonds maturing on or after [March][September] 1, 20__ will be subject to redemption at the option of the Successor Agency on any date on or after [March][September] 1, _____, as a whole or in part, by such maturities as determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at the following redemption price expressed as a percentage of the principal amount of the 2017B Bonds to be redeemed, together with interest accrued thereon to the date fixed for redemption:

Redemption Date

Redemption Price

Mandatory Sinking Fund Redemption – 2017A Bonds.* The 2017A Bonds maturing on September 1, 20__ and September 1, 20__ (the “2017A Term Bonds”) will be subject to mandatory redemption in whole, or in part by lot, commencing September 1, 20__ and September 1, 20__, respectively, on the dates and in the principal amounts set forth in the tables below from payments made by the Successor Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium:

* Preliminary; subject to change.

2017A Bonds maturing September 1, 20__

<u>Redemption Date</u>	<u>Mandatory Term Bond Redemption Amount</u>
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(maturity)

2017A Bonds maturing September 1, 20__

<u>Redemption Date</u>	<u>Mandatory Term Bond Redemption Amount</u>
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(maturity)

Mandatory Sinking Fund Redemption – 2017B Bonds.* The 2017B Bonds maturing on September 1, 20__ and September 1, 20__ (the “2017B Term Bonds”) will be subject to mandatory redemption in whole, or in part by lot, commencing September 1, 20__ and September 1, 20__, respectively , on the dates and in the principal amounts set forth in the tables below from payments made by the Successor Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium:

2017B Bonds maturing September 1, 20__

<u>Redemption Date</u>	<u>Mandatory Term Bond Redemption Amount</u>
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(maturity)

2017B Bonds maturing September 1, 20__

<u>Redemption Date</u>	<u>Mandatory Term Bond Redemption Amount</u>
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(maturity)

* Preliminary; subject to change.

Purchase in Lieu of Mandatory Sinking Fund Redemption. In lieu of redemption of any of Term Bonds of a series as described above, amounts on deposit in the Principal Account may also be used and withdrawn by the Trustee, at any time, upon the Written Request of the Successor Agency, for the purchase of such Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Successor Agency in any six-month period ending on the scheduled redemption date in any year will be credited towards and will reduce the par amount of the Term Bonds required to be redeemed pursuant to the previous paragraph on the succeeding Interest Payment in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by the date that is 30 days prior to the redemption date. In no event will the Successor Agency purchase any Term Bonds in lieu of redemption without canceling such Term Bonds.

Selection of 2017 Bonds for Partial Redemption. Whenever any 2017 Bonds of a series (or portions thereof) are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee will deem appropriate. In the event of redemption by lot of any 2017 Bonds of a series, the Trustee will assign to each 2017 Bond of such series then Outstanding a distinctive number for each \$5,000 of the principal amount of each such 2017 Bond. The 2017 Bonds to be redeemed will be the 2017 Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such 2017 Bond of a denomination of more than \$5,000 will be redeemed as will equal \$5,000 for each number assigned to it and so selected.

Notice of Redemption; Conditional Notices; Cancellation of Redemption. The Trustee on behalf of the Successor Agency will send notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) to the Owners of any 2017 Bonds designated for redemption at their respective addresses appearing on the Registration Books held by the Trustee, and (ii) the Securities Depositories and to the Information Services; but such distribution of the notice will not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such 2017 Bonds or the cessation of the accrual of interest thereon.

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

So long as DTC is the sole registered owner of the 2017 Bonds, notices of redemption (and notices of cancellation of redemption) will be sent to DTC and not to any beneficial owners. See “Book-Entry Only System.”

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

Book-Entry Only System

The 2017 Bonds of each series will be issued as one fully registered bond without coupons for each maturity (unless the 2017 Bonds of such series and maturity bear different interest rates, then one certificate for each interest rate among the 2017 Bonds of such series and maturity) and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the 2017 Bonds. Individual purchases may be made in book-entry form only, in integral multiples of \$5,000 principal amount. Purchasers will not receive certificates representing their interest in the 2017 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 2017 Bonds as described in this Official Statement. So long as DTC's book-entry system is in effect with respect to the 2017 Bonds, notices to Owners by the Successor Agency or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the 2017 Bonds, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. So long as the 2017 Bonds are registered in the name of Cede & Co., or any other nominee of DTC, references in this Official Statement to the registered owners or use of the capitalized term "Owners" mean Cede & Co. or such other nominee of DTC, and do not mean the beneficial owners of the 2017 Bonds. See "APPENDIX G – DTC'S BOOK-ENTRY ONLY SYSTEM."

In the event that such book-entry system is discontinued with respect to the 2017 Bonds, the Successor Agency will execute and deliver replacements in the form of registered certificates and, thereafter, the 2017 Bonds will be transferable and exchangeable on the terms and conditions provided in the Indenture. The following provisions would then apply: The principal of, and redemption premium, if any, on the 2017 Bonds will be payable on the surrender thereof at maturity or the redemption date, as applicable, at the corporate trust office of the Trustee in Los Angeles, California or such other place as designated by the Trustee. Interest on the 2017 Bonds of a series (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date (*i.e.*, the 15th calendar day of the month immediately preceding the Interest Payment Date) immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017 Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date.

Annual Debt Service Schedule

Annualized debt service on the 2017 Bonds, without regard to any optional redemption, is shown in the following table.

Bond Year Ending (Sept. 1)	2017A Bonds			2017B Bonds			Aggregate Debt Service
	Principal	Interest	2017A Total	Principal	Interest	2017B Total	
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
Total							

AUTHORIZATION AND VALIDITY OF 2017 BONDS UNDER DISSOLUTION ACT

Authorizing Statutes

The Successor Agency will be issuing the 2017 Bonds pursuant to the authority given to it under California Health and Safety Code Section 34177.5 and the Refunding Bond Law.

Approval by Oversight Board and Department of Finance

Before the issuance of refunding bonds under the Dissolution Act, the Successor Agency must obtain the approval of the Oversight Board, by resolution. Such Oversight Board resolution (as with most Oversight Board resolutions) does not become effective unless it has been approved, or deemed approved, by the State Department of Finance.

On November 2, 2016, the governing board of the Successor Agency adopted Resolution No. SA-36 (the “SA Bond Resolution”), authorizing the issuance of the bonds to refund the 2006 Bonds, 2009A Reimbursement Obligations, the 2009B Reimbursement Obligations and certain other obligations (which are not payable from Tax Revenues on either senior basis or on parity with the 2006 Bonds, 2009A

Reimbursement Obligations, the 2009B Reimbursement Obligations). On November 3, 2016, the Oversight Board adopted Resolution No. OB-33 (the “OB Bond Resolution”), approving the issuance of such refunding bonds and ratifying the SA Bond Resolution. On January 20, 2017, the DOF issued its letter (the “DOF Letter”) indicating the DOF’s approval of the OB Bond Resolution, in part, with respect to the refunding of the 2006 Bonds, the 2009A Reimbursement Obligations and the 2009B Reimbursement Obligations. The 2017 Bonds are being issued pursuant to the SA Bond Resolution and OB Bond Resolution, as modified by the DOF Letter.

Expiration of Challenge Period

The Dissolution Act provides that, notwithstanding any other State law, an action to challenge the issuance of bonds under the Dissolution Act must be brought within 30 days after the date on which the oversight board approves the resolution of the successor agency approving the issuance of the bonds. More than 30 days have expired between the adoption of the OB Bond Resolution and the date of this Official Statement. During this interim, the Successor Agency has received no notice of any action challenging the issuance of the 2017 Bonds.

Pursuant to Health and Safety Code Section 34177.5(f), once the DOF has given its approval to the OB Bond Resolution, the scheduled payments on the 2017 Bonds must be listed on the Successor Agency’s ROPS (see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Recognized Obligation Payment Schedules”) and will not be subject to further review and approval by the DOF or the State Controller. Furthermore, pursuant to Health and Safety Code Section 34177.5(f), once the 2017 Bonds are issued with the Oversight Board’s approval, the Oversight Board will not be permitted to unilaterally approve any amendments to or early termination of the 2017 Bonds (*i.e.*, unilaterally terminate the Indenture or the 2017 Bonds in contradiction to the terms by which the 2017 Bonds were sold).

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the Successor Agency. The Successor Agency makes no representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix H for a specimen of the Bond Insurance Policy.

[to come]

SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS

Pledge of Tax Revenues

The 2017 Bonds will not be a debt, liability or obligation of the City, the State, or any of its political subdivisions other than the Successor Agency as described in this Official Statement. None of the City, the State nor any of its political subdivisions other than the Successor Agency, will be liable for the 2017 Bonds. None of the members of the governing bodies or officers of the Successor Agency, the City nor any person executing the 2017 Bonds or the Indenture will be liable personally with respect to the 2017 Bonds. The obligations of the Successor Agency with respect to the 2017 Bonds will be payable solely from Tax Revenues and the funds pledged pursuant to the Indenture. The Successor Agency has no taxing power. The 2017 Bonds will not constitute indebtedness in violation of any constitutional or statutory debt limit or restriction.

Upon their issuance, the primary source of the Successor Agency's payment of debt service on the 2017 Bonds will be moneys received by the Successor Agency from the County Auditor-Controller from disbursements of property tax revenues from the RPTTF. See "INTRODUCTION – Security for 2017 Bonds – Administration of Property Taxes Allocable to Successor Agency Under Dissolution Act." Each fiscal year, the County Auditor-Controller must determine the amount of property taxes – formerly known as tax increment – that would have been allocated to the Former Agency had the Former Agency not been dissolved and deposit such amount into the RPTTF. See "Allocation of Property Taxes (Determination of RPTTF Deposits)" below.

The Bonds (including the 2017 Bonds and all outstanding Parity Debt (defined below, see "Limitation on Additional Bonds") issued under the Indenture) will be secured by a pledge of and lien on all of the Tax Revenues, including Tax Revenues which are on deposit in the RPTTF and the Redevelopment Obligation Retirement Fund) until their release pursuant to the terms of the Indenture. "Tax Revenues" will be defined in the Indenture as, for each Fiscal Year, all moneys deposited in the RPTTF, but excluding (a) administrative costs of the County Auditor-Controller deducted as required by Health and Safety Code Section 34183(a); and (b) amounts payable pursuant to the Pass-Through Agreements and Health and Safety Code Sections 33676, 33607.5 and 33607.7, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds. See "Taxing Sharing Agreements" and "Tax Sharing Statutes" below.

The pledge and lien of Tax Revenues will be for the equal security of the 2017 Bonds and all outstanding Parity Debt. In addition, the Bonds will be secured by a first pledge of and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account (each of which will be established and held by the Trustee under the Indenture; see "Application of Tax Revenues under Indenture"). Furthermore, the 2017 Bonds will be secured by moneys and other assets (e.g., the Reserve Policy) the Reserve Account (see "Reserve Account" below). Except for the Tax Revenues and the moneys in such funds and account held under the Indenture, no funds or properties of the Successor Agency will be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017 Bonds. All Tax Revenues received by the Successor Agency with respect to a Bond Year in excess of the amount required to pay debt service on the 2017 Bonds and any Parity Debt (except as may be provided to the contrary in any Parity Debt Instrument), will be released from the pledge and lien under the Indenture and will be applied in accordance with law.

See "Application of Tax Revenues Under Indenture" below regarding the requirement for the Successor Agency to transfer Tax Revenues to the Trustee for deposit into the funds and accounts maintained under the Indenture.

Allocation of Property Taxes (Determination of RPTTF Deposits)

Agency (RPTTF) Portion Generally

Each fiscal year, the County Auditor-Controller deposits into the RPTTF the amount of property taxes, formerly known as tax increment, that would have been allocated to the Former Agency had the Former Agency not been dissolved, based on assessed values of the property in the Project Area on the last equalized roll as of August 20 in excess of the base year values. Such allocation of taxes is determined pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code), Section 16 of Article XVI of the California State Constitution and the Redevelopment Plan (see “INTRODUCTION – Project Area” and “– Security for 2017 Bonds”).

Pursuant to the Redevelopment Law, the State Constitution and the Redevelopment Plan, taxes levied upon taxable property in the Project Area by or for the benefit of the State, the County, the City, any district or other public corporation (collectively, “taxing agencies” or “taxing entities”) for each fiscal year commencing after the effective date (the “Effective Date”) of the Original Plan Ordinance (see “INTRODUCTION – Project Area”), are divided as follows:

1. *To taxing agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area, as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the Effective Date, are allocated to and when collected paid to the respective taxing agencies as taxes by or for such taxing agencies on all other property are paid (for the purpose of allocating taxes levied by or for any taxing agency or taxing agencies which did not include such territory on the Effective Date but to which such territory has been annexed or otherwise included after such Effective Date, the assessment roll of the County last equalized on the Effective Date is used in determining the assessed valuation of the taxable property in such territory on the Effective Date); and
2. *To Former Agency/Successor Agency (i.e., deposit into RPTTF under the Dissolution Act):* That portion of such levied taxes each year in excess of the amount provided in paragraph (1) above, are allocated to and, when collected, paid into a special fund of the Former Agency (or, now, to the RPTTF of the Successor Agency) to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Former Agency (and the Successor Agency) to finance or refinance, in whole or in part, redevelopment of the Project Area; but excluding from the foregoing, the taxes which are attributable to a tax rate levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, or an increase in tax rate imposed for the benefit of a taxing agency the levy of which occurs after the tax year in which the ordinance approving the Project Area became effective but only to the extent the taxing agency has elected in the manner required by law to receive such allocation, which is allocated to, and when collected, paid to such taxing agency (provided, the Dissolution Act contains provisions to the effect that certain overrides are now allocated to the levying entity, even if pursuant the levy was pursuant to voter approval made before January 1, 1989, unless such overrides were pledged to the Former Agency’s bonds).

Before the Former Agency’s dissolution, the portion of property taxes described in paragraph numbered (2) constituted tax increment allocable to the Former Agency of which the Former Agency was authorized to make pledges to repay indebtedness incurred in carrying out the Redevelopment Plan, subject to the limitations set forth in the Redevelopment Plan. After the Former Agency’s dissolution, pursuant to the Dissolution Act, such property tax revenues are now deposited into the RPTTF. California Health and Safety Code Section 34172 clarifies that, for purposes of Section 16 of Article XVI of the State Constitution, the RPTTF is deemed to be a special fund of the Former Agency for payment of debt service on indebtedness of the Former Agency incurred to finance or refinance the redevelopment projects.

Elimination of Housing Set-Aside

As discussed under “INTRODUCTION – Security for 2017 Bonds – *Elimination of Housing Set-Aside Under Dissolution Act*,” the Dissolution Act has eliminated the Housing Fund. None of the property tax revenues deposited in the RPTTF is designated as the Housing Set-Aside. The RPTTF flow of funds under the Dissolution Act makes no distinction between obligations that were, in whole or in part, payable from the Housing Set-Aside and those that were payable solely from the 80 Percent Portion. The 2017 Bonds, upon their issuance, will be secured by a pledge all of the Tax Revenues deposited in the RPTTF pursuant to the Indenture.

Pass-Through Payments

Pursuant to the Indenture, Tax Revenues pledged to the Bonds will not include amounts payable to affected taxing entities, commonly known as “pass-through payments,” except to the extent a taxing entity has agreed to subordinate such payment to the Bonds. Before the Former Agency’s dissolution, the Former Agency was responsible for making the pass-through payments to the taxing agencies from the tax increment disbursed by the County Auditor-Controller. After the Former Agency’s dissolution, the County Auditor-Controller makes these pass-through payments to the taxing agencies directly on each January 2 and June 1 from funds available in the RPTTF, before making disbursements from the RPTTF to the Successor Agency. If the Successor Agency reports to the County Auditor-Controller, by no later than December 1 or May 1, as applicable, that an upcoming RPTTF disbursement is expected to be insufficient to cover bond debt service during the relevant ROPS Payment Period, and if the County Auditor-Controller concurs with the existence of such insufficiency, then the Successor Agency’s administrative costs allowance will be deducted first to cover such insufficiency. If such deduction to the administrative costs allowance is not still enough, deductions will be made from pass-through payments, but only to the extent that a taxing entity had previously agreed to such subordination. However, as discussed below, none of the pass-through payments have been subordinated to the debt service on the 2017 Bonds. See “RPTTF Flow of Funds.” Also see “TAX REVENUES AND DEBT SERVICE COVERAGE.”

Negotiated Pass-Through Agreements. The Former Agency entered into the following pass-through agreements (the “Pass-Through Agreements”) pursuant to Health and Safety Code Section 33401, with the following taxing entities:

- (i) the Santa Cruz County Flood Control and Water Conservation District (the “County Flood Control District”), pursuant to an agreement dated November 7, 1990 (the “Flood Control District Agreement”);
- (ii) the Scotts Valley Fire Protection District (“SVFPD”), pursuant to an agreement dated October 17, 1990 (the “SVFPD Agreement”);

- (iii) the Branciforte Fire District (“Branciforte FD”), pursuant to an agreement dated September 12, 1989 (the “Branciforte FD Agreement”);
- (iv) the Scotts Valley Unified School District (“SVUSD”), pursuant to two separate agreements: (a) an agreement with the former Scotts Valley Union School District, dated November 21, 1990 as amended in 1994 (as amended, the “SVUSD Agreement”); and (b) an agreement with the Santa Cruz City School District, dated May 1, 1991 (the “SCCSD Agreement”) (the payments under which were assumed by SVUSD when the SVUSD became a unified school district in 1995);
- (v) the Scotts Valley Water District (the “Water District”), pursuant to an agreement, dated September 12, 1990 (the “Water District Agreement”); and
- (vi) the County, pursuant to an agreement dated November 14, 1990 as amended by in 1996, and as further amended by in 2009 (as so amended, the “County Pass-Through Agreement”).

Under each of the Branciforte FD Agreement, the SVUSD Agreement, the SCCSD Agreement and the Water District Agreement, the Former Agency was authorized to subordinate the pass-through payments under such agreement to the Former Agency’s indebtedness; provided that the Former Agency demonstrated to the respective taxing entities’ satisfaction, the Former Agency’s ability to make related pass-through payments. While such provisions are still operative, the Successor Agency has not requested any such subordination of such pass-through payments to the 2017 Bonds, in view of the indebtedness in light of the sufficiency of the projected Tax Revenues for debt service coverage. See “TAX REVENUES AND DEBT SERVICE COVERAGE” and “APPENDIX B - FISCAL CONSULTANT REPORT.”

In February 2015, the Successor Agency, the City, the County, the Successor Agency to the Former Redevelopment Agency of the County of Santa Cruz, entered into a Settlement Agreement (the “County Settlement Agreement”). The County Settlement Agreement reflects the culmination of years of litigation regarding, among several matters, certain obligations allegedly owed by the Former Agency under the County Pass-Through Agreement. The County Settlement Agreement requires the Successor Agency to list certain amounts payable to the County (the “Settlement Amounts”) on the Successor Agency’s periodic ROPS, until such Settlement Amounts are paid in full. The Settlement Amounts are in addition to the pass-through payments under the County Pass-Through Agreement that the County Auditor-Controller pays directly to the County on each January 2 and June 1 from funds available in the RPTTF, before making disbursements from the RPTTF to the Successor Agency). In a letter, dated January 17, 2017, the County affirmed that the Settlement Amounts are payable from the RPTTF on a subordinate basis to the 2017 Bonds. (In contrast, the pass-through payments under the County Pass-Through Agreement are not subordinate to the 2017 Bonds.) For the purposes of showing debt service coverage in Tables 7 and 8 under “TAX REVENUES AND DEBT SERVICE COVERAGE,” the “Tax Revenues” are shown net of pass-through payments under all of the Pass-Through Agreements, without any deduction for the Settlement Amounts.

See “APPENDIX B – FISCAL CONSULTANT REPORT” for additional information regarding the required pass-through payments under each Pass-Through Agreement.

AB 1290 Payments. California Health and Safety Code Section 33607.5 and Section 33607.7 (the “Tax Sharing Statutes”) were added to the Redevelopment Law by Assembly Bill 1290 (“AB 1290”), enacted by the State Legislature in 1994. Section 33607.7 was further amended by SB 211, Chapter 741, Statutes of 2001. The Tax Sharing Statutes, together, require that each affected taxing entity that did not

have an existing pass-through agreement receive an additional portion of tax increment revenues otherwise payable to the redevelopment agency (the “AB 1290 Payments”), if such taxing entities were affected by: (i) the adoption on or after January 1, 1994, of a new redevelopment plan for a project area or an amendment to an existing redevelopment plan that added territory to a project area, or (ii) the adoption on or after January 1, 1994 of an amendment (to an existing redevelopment plan) which extends the time limit on incurring debt with respect to the project area, extends the time limits for the duration and effectiveness of the redevelopment plan or the time limit for establishing indebtedness, or increases the dollar cap on the amount of tax increment revenues allocable to the redevelopment agency for the project area (unless a taxing entity already receives pass-throughs under an existing agreement). AB 1290 prohibited redevelopment agencies from entering into any new pass-through agreements.

The Redevelopment Plan was amended in December 2010 to eliminate the time limit on the incurrence of debt payable from tax increment of the Project Area and extending by one year the time limits on the receipt of tax increment to repay debt and the effectiveness of the Redevelopment Plan. See “PROJECT AREA – General Description; Redevelopment Plan.” This amendment triggered AB 1290 Payments, payable starting with the first fiscal year that the assessed value of the Project Area exceeded the 2009-10 base year value. Pursuant to the Dissolution Act, the County Auditor-Controller (and not the Successor Agency) makes the AB 1290 Payments directly to the taxing agencies from the RPTTF in each January and June. Based on information provided by the County and the Successor Agency, the Fiscal Consultant believes that the AB 1290 Payments should have commenced in fiscal year 2015-16. However, the County records show that such AB 1290 Payment for fiscal year 2015-16, in the approximate \$12,000, was not made. The Successor Agency has discussed this matter with the County Auditor-Controller accordingly. The Tax Revenues projections shown in the Fiscal Consultant Report and in Tables 7 and 8 assume a one-time recapture of the fiscal year 2015-16 AB 1290 Payment from the fiscal year 2016-17 gross tax increment revenues. See “APPENDIX B – FISCAL CONSULTANT REPORT” for further discussion, including a description of the formula pursuant to which AB 1290 Payments are calculated and projected dollar amounts of the AB 1290 Payments.

The Dissolution Act provides a procedure under which a successor agency may request taxing agencies to subordinate their AB 1290 Payments to refunding bonds issued by the Successor Agency under Health and Safety Code Section 34177.5, before the issuance of such refunding bonds. With respect to the 2017 Bonds, the Successor Agency has determined to not undertake any such subordination procedures in light of the sufficiency of the projected Tax Revenues for debt service coverage. See “TAX REVENUES AND DEBT SERVICE COVERAGE” and “APPENDIX B - FISCAL CONSULTANT REPORT.”

Section 33676 Tax Sharing Payments. For redevelopment project areas established before January 1, 1994, California Health and Safety Code Section 33676 allows taxing entities to receive additional property taxes in a redevelopment project area above the base year revenue amount (the “Section 33676 Payments”). The Project Area was established in 1990. The Section 33676 Payments are based on annual increases in the real property portion of the base year value up to the inflation limit of two percent. Two taxing entities, Cabrillo Community College District and the Santa Cruz County Office of Education, receive Section 33676 Payments with respect to the Project Area. The Section 33676 Payments are paid from moneys deposited in the RPTTF on a senior basis to the 2017 Bonds.

RPTTF Flow of Funds

The Dissolution Act establishes a specific flow of funds for the County Auditor-Controller's administration of the RPTTF. Under Health and Safety Code Section 34183, the County Auditor-Controller, after deducting certain administrative costs due to the County, allocates moneys in the RPTTF as follows:

- (i) No later than each January 2 and June 1, subject to certain adjustment for subordinated pass-throughs as permitted under the Dissolution Act, the County Auditor-Controller remits to each local agency and school entity, to the extent applicable, amounts required for pass-through payments that such taxing agency would have received under the relevant provisions of the Redevelopment Law, as those sections read on January 1, 2011, or pursuant to any pass-through agreement between a redevelopment agency and a taxing entity that was entered into prior to January 1, 1994 (see "Pass-Through Payments" above). The pass-through payments are computed as though the requirement to set aside funds for the Housing Fund was still in effect.
- (ii) On each January 2 and June 1, the County Auditor-Controller disburses to the Successor Agency the amount approved by the DOF (see "Recognized Obligation Payment Schedules" below) for payments listed on the Successor Agency's ROPS for the applicable ROPS Payment Period (*i.e.*, the six month fiscal period commencing on January 1 or July 1), with debt service payments scheduled to be made for tax allocation bonds having the highest priority. The Successor Agency is permitted, however, to hold a reserve when required by the relevant bond indenture or when the next property tax allocation will be insufficient to pay bond debt service for the next payment due in the following half of the calendar year.
- (iii) On each January 2 and June 1, the County Auditor-Controller also disburses the administrative cost allowance (as defined in the Dissolution Act) to the Successor Agency.
- (iv) On each January 2 and June 1, any moneys remaining in the RPTTF (the "RPTTF Residual") after the payments and transfers described in subparagraphs (i) through (iii), inclusive, are distributed to local agencies and school entities in accordance with the provisions of the Dissolution Act.

The Dissolution Act requires the County Auditor-Controller to provide to the Successor Agency estimates of the amount of property tax revenues to be allocated to the RPTTF in the upcoming six-month ROPS Payment Period no later than October 1 and April 1, respectively. If the Successor Agency determines that the amount to be allocated to the RPTTF and the other moneys available from funds previously transferred from the Former Agency and through asset sale or other operations are insufficient to fund the payments required by subparagraphs (i) through (iii) above, then the Successor Agency may make a report (a "RPTTF Shortfall Report") to the County Auditor-Controller, who will in turn notify the DOF and the State Controller. Upon verification and concurrence from the State Controller that there are insufficient funds to pay the required debt service, the County Auditor-Controller will make an adjustment to the upcoming disbursement from the RPTTF as follows:

- (a) First, the amount of the deficiency will be deducted from the RPTTF Residual described in subparagraph (iv) above,

- (b) Second, if the RPTTF Residual is exhausted, deductions will be made from amounts available for distribution as the Successor Agency’s administrative cost allowance described in subparagraph (iii) above,
- (c) Third, if a taxing agency had subordinated its pass-through payments under a pass-through agreement or pursuant to the provisions of the Redevelopment Law or the Dissolution Act to debt service payments required for enforceable obligations, funds for servicing such bond debt will be deducted from such pass-through payments. (However, as discussed above under “Pass-through Payments,” none of the pass-through payments have been subordinated to the 2017 Bonds.)

The Successor Agency does not anticipate the necessity of any RPTTF Shortfall Report while the 2017 Bonds are outstanding. See the projections shown in Tables 7 and 8 under “TAX REVENUES AND DEBT SERVICE COVERAGE.”

Recognized Obligation Payment Schedules

Listing of Enforceable Obligations and Sources of Funds. Starting with the ROPS which covers the period commencing July 1, 2016 until such time as an LFROPS has been approved by the DOF (see “*Last and Final ROPS*” below”), the Successor Agency must prepare a ROPS once a year, listing the payments for enforceable obligations that the Successor Agency is expected to make for the upcoming two ROPS Payment Periods (*i.e.*, the six-month fiscal period commencing July 1 and January 1, respectively).

The Dissolution Act contains a specific definition for “enforceable obligations.” As defined in the Dissolution Act, “enforceable obligations” include, among other types of obligations, tax allocation bonds (including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds) of the Former Agency or the Successor Agency.

The Dissolution Act provides that the ROPS must identify one of the following sources of funds for the payment of each listed enforceable obligation:

- (a) the Housing Fund (but see discussions under “SUCCESSOR AGENCY – Transfers to Housing Successor” and “– Due Diligence Reviews,” moneys that were on deposit in the Housing Fund, except for bond proceeds, have either been transferred to the housing successor or remitted to the County Auditor-Controller as the result of the due diligence review required by the Dissolution Act),
- (b) bond proceeds,
- (c) reserve balances (but see “SUCCESSOR AGENCY – Due Diligence Reviews”; regarding unobligated cash that was on deposit in the Former Agency’s accounts which would have been available for cash reserve but was, for the most part, remitted to the County Auditor-Controller as the result of the due diligence reviews),
- (d) Successor Agency’s administrative cost allowance (as defined in the Dissolution Act),
- (e) RPTTF (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or

- (f) other revenue sources, including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the Former Agency, as approved by the Oversight Board.

Pursuant to the Dissolution Act, the Successor Agency may only make those payments listed in the ROPS, as approved by the DOF. Generally, the Successor Agency may only make payments from the source of funds identified in the ROPS. However, the Successor Agency may make payments for enforceable obligations from sources other than those listed in the ROPS, if the Successor Agency obtains the Oversight Board's prior approval (and, consequently, the DOF's approval because such Oversight Board actions are subject to the DOF's review).

Timing for ROPS Submission and Approval. The Successor Agency must submit the ROPS to the Oversight Board for approval. No later than each February 1, the Successor Agency must submit the Oversight Board-approved annual ROPS to the County Auditor-Controller, the DOF and the State Controller. For each annual ROPS, the Dissolution Act requires the DOF to make a determination on the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than April 15. Within five business days of the DOF's determination, the Successor Agency may request additional review and an opportunity to meet and confer with the DOF on the disputed items. The DOF must notify the Successor Agency and the County Auditor-Controller regarding the outcome of its review at least 15 days before the upcoming June 1 RPTTF disbursement date (*i.e.*, May 15).

No later than October 1 of each year, the Successor Agency may submit one amendment to the annual ROPS previously approved by the DOF for the then current fiscal year. Such amendment may pertain only to a modification of the amount requested for an enforceable obligation for the second ROPS Payment Period of such ROPS (*i.e.*, the ROPS Payment Period from January 1 to June 30). The ROPS amendment must be approved by the Oversight Board. The DOF must notify the Successor Agency and the County Auditor-Controller regarding the outcome of the DOF's review at least 15 days before the upcoming January 2 RPTTF disbursement date (*i.e.*, December 18).

The Dissolution Act permits the County Auditor-Controller to review each submitted ROPS and object to the inclusion of any item that is not demonstrated to be an enforceable obligation and may object to the funding source proposed for any item. The County Auditor-Controller must provide notice of any such objection to the Successor Agency, the Oversight Board, and the DOF at least 60 days before the next RPTTF disbursement date (*i.e.*, November 2 and April 2, respectively). If the Oversight Board disputes the finding of the County Auditor-Controller, it may refer the matter to the DOF for a determination.

Penalties for Failure to Submit on a Timely Basis. The Dissolution Act imposes penalties for the Successor Agency's failure to submit a ROPS on a timely basis. If the Successor Agency fails to submit a ROPS by the prescribed deadlines, the City (as the entity that created the Former Agency) will be subject to a civil penalty equal to \$10,000 per day for every day the ROPS is not submitted to the DOF. Furthermore, the DOF, any affected taxing entity and any creditor of the Successor Agency will have standing to file and may request a writ of mandate to require the Successor Agency to immediately perform this duty; provided that any such filing should be made in the County of Sacramento, California. Additionally, the Successor Agency's maximum administrative cost will be reduced by 25 percent if the Successor Agency does not submit a ROPS within ten days of the deadline for the ROPS submission.

If the Successor Agency fails to submit to the DOF an Oversight Board-approved ROPS that complies with the requirements of the Dissolution Act within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, the DOF may determine if any amount should be withheld by the County Auditor-Controller for payments of enforceable obligations

from distribution to taxing entities, pending approval of the ROPS. Upon notice by the DOF that a portion of the withheld balances are in excess of the amount of enforceable obligations, the County Auditor-Controller will distribute the portion that represents the RPTTF Residual (see “RPTTF Flow of Funds” above) to the affected taxing entities. The County Auditor-Controller will distribute the withheld funds to the Successor Agency only in accordance with a ROPS approved by the DOF. The Dissolution Act states that the County Auditor-Controller lacks the authority to withhold any other amounts from the allocations provided for under the provisions of the Dissolution Act governing the disbursements of funds from the RPTTF.

To date, the Successor Agency has submitted all ROPS filings on a timely basis to the DOF.

Last and Final ROPS. The Dissolution Act permits the Successor Agency to submit a Last and Final ROPS (or “LFROPS”) at any time on or after January 1, 2016, to the Oversight Board and the DOF for approval. Pursuant to the template provided by the DOF, the Successor Agency must list on the LFROPS the enforceable obligations, the amounts of the payments and the source of payments for each six month ROPS Payment Period up to the date of the last payment by the Successor Agency. Before filing an LFROPS, the Successor Agency must meet the following conditions:

- (i) the remaining debt is limited to administrative costs and payments pursuant to enforceable obligations with defined payment schedules,
- (ii) all remaining obligations have been previously listed on a ROPS and approved by the DOF, and
- (iii) the Successor Agency is not a party to any outstanding or unresolved litigation.

The DOF will have 100 days to review an LFROPS submitted for approval. If the DOF approves the LFROPS, the LFROPS will establish the maximum amount of RPTTF to be distributed to the Successor Agency for each remaining fiscal year until the approved obligations have been fully paid.

After the DOF approves an LFROPS, the LFROPS will become effective on the first day of the immediately next ROPS Payment Period (*i.e.*, the following January 1 or July 1, as applicable); provided that if LFROPS is approved less than 15 days before the date next RPTTF Disbursement Date (*i.e.*, the following January 2 or June 1), then the LFROPS will not become effective until the subsequent ROPS Payment Period. Upon the LFROPS taking effect, the Successor Agency will no longer have to submit any further annual ROPS. The County Auditor-Controller will make distributions from the RPTTF to the Successor Agency pursuant to the LFROPS until the aggregate amount of property tax allocated to the Successor Agency equals the total outstanding obligation approved in the LFROPS. Any revenues, interest and earnings of the Successor Agency not authorized for use pursuant to the DOF-approved LFROPS and all proceeds from the disposition of real property subsequent to the approval of the LFROPS will be remitted to the County Auditor-Controller for distribution to the affected taxing entities.

After the DOF’s approval of the LFROPS, the Successor Agency may submit no more than two requests to amend the LFROPS. Each amendment request must be approved by the Oversight Board before submission to the DOF. The DOF will then have 100 days to approve or deny the request.

After the effective date of a DOF-approved LFROPS, resolutions adopted by the Oversight Board will become effective without additional submission and approval by the DOF, with the exception of resolutions relating to refunding bonds, long range property management plans, amendments to LFROPS or dissolution of the Successor Agency.

The Successor Agency currently does not have any plan to file an LFROPS.

Application of Tax Revenues Under the Indenture

Pursuant to the Dissolution Act, the Successor Agency maintains a fund known as the “Redevelopment Obligation Retirement Fund.” The Indenture requires the Successor Agency to deposit all of the Tax Revenues received with respect to any Semiannual Period (i.e., the six month period commencing January 1 and July 1, respectively) into the Redevelopment Obligation Retirement Fund promptly upon receipt.

To ensure that amounts will be available for the Trustee to make timely payments on the principal of, and interest on, the 2017 Bonds and any Parity Debt coming due with respect to the applicable Semiannual Period, the Successor Agency will make the following covenants with respect to the ROPS. The Successor Agency shall pay debt service on the 2017 Bonds due September 1, 2017 and March 1, 2018 using Tax Revenues received from the June 2017 and January 2018 RPTTF disbursements which were listed on the ROPS for payment of debt service on the Prior Agency Obligations. On or before February 1, 2018, in order to ensure that amounts are available for the Trustee to make timely payments on the principal of, and interest on, the Bonds and any Parity Debt coming due on September 1, 2018, March 1, 2019 and September 1, 2019, the Successor Agency will submit an Oversight Board-approved ROPS to the State Department of Finance and to the County Auditor-Controller that will include (i) for payment to the Successor Agency from the June 2018 RPTTF, all of the principal of and interest due on all Outstanding Bonds and any Parity Debt on August 1, 2018, (ii) for payment to the Successor Agency from the January 2019 RPTTF disbursement, 50 percent of the annual debt service on all Outstanding Bonds and any Parity Debt due in the Bond Year ending August 1, 2019, and (iii) any amount required to be deposited in the Reserve Account, in order to maintain in the Reserve Account the amount of the Reserve Requirement and any amount required to be deposited into the reserve account for any Parity Debt. Commencing on February 1, 2019 and no later than each February thereafter, in order to ensure that amounts are available for the Trustee to make timely payments on the principal of, and interest on, the Bonds and any Parity Debt coming due with respect to the applicable Semiannual Period, the Successor Agency shall submit an Oversight Board-approved ROPS to the State Department of Finance and to the County Auditor-Controller that will include (i) for payment to the Successor Agency from the applicable June RPTTF disbursement 50 percent of the annual debt service due on all Outstanding Bonds and any Parity Debt in the Bond Year that ends on the immediately succeeding August 1, (ii) for payment to the Successor Agency from the January RPTTF disbursement, 50 percent of the debt service due on all Outstanding Bonds and any Parity Debt on March 1 and September 1 of the following calendar year, and (iii) any amount required to be deposited in the Reserve Account, in order to maintain in the Reserve Account the amount of the Reserve Requirement and any amount required to be deposited into the reserve account for any Parity Debt. For purposes of providing clarity about the meaning of this paragraph, on February 1, 2019, the Successor Agency shall submit an Oversight Board-approved ROPS that shall include (i) for payment to the Successor Agency from the June 2019 RPTTF disbursement, 50 percent of the annual debt service due on all Outstanding Bonds and any Parity Debt in the Bond Year ending September 1, 2019 and (ii) for payment to the Successor Agency from the January 2020 RPTTF disbursement, 50 percent of the annual debt service due on all Outstanding Bonds and any Parity Debt on March 1, 2020 and September 1, 2020. Such actions shall further include, without limitation, placing on the periodic ROPS for approval by the Oversight Board and the State Department of Finance, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by California Health and Safety Code Section 34171(d)(1)(A), that are necessary to provide for the payment of principal and interest hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due under the Indenture for the next payment due in the following Semiannual Period.

The Trustee will establish and hold a Debt Service Fund. Pursuant to the Indenture, the Successor Agency will transfer to the Trustee, within five business days following receipt of Tax Revenues, such amounts necessary for deposits into the accounts of the Debt Service Fund as described below (in the following order of priority):

- (a) an amount, as required for deposit into the Interest Account (taking into account there amount already contained in the Interest Account) for the payment of interest on the Outstanding Bonds on the next Interest Payment Date;
- (b) with respect to Tax Revenues received pursuant to a January RPTTF disbursement, the amount received therefor pursuant to the related ROPS as described in the preceding paragraph;
- (c) with respect to Tax Revenues received pursuant to a June RPTTF disbursement, an amount, as required for deposit into the Principal Account (taking into account there amount already contained in the Interest Account) for the payment of principal coming due (including principal of maturing Bonds or principal of Term Bonds subject to mandatory sinking redemption) on the next September 1; and
- (d) an amount as required for deposit into the Redemption Account for the payment of principal of and premium, if any, on Bonds to be optionally redeemed.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

Reserve Account

The Trustee will maintain a Reserve Account within the Debt Service Fund. The Reserve Account, solely as security for payments on the 2017 Bonds, will be held for the equal benefit of the Owners of all of the Outstanding 2017 Bonds. As of the date of any calculation, the least of (i) ten percent of the original principal amount of the 2017 Bonds, (ii) an amount equal to Maximum Annual Debt Service on the 2017 Bonds payable by the Successor Agency between the date of such calculation and the final maturity of the 2017 Bonds, or (iii) 125 percent of average annual debt service on the 2017 Bonds payable hereunder.

Upon the issuance of the 2017 Bonds, the Reserve Requirement will be \$_____. A portion of the proceeds from the sale of the 2017 Bonds will be used to purchase a Reserve Policy in the face amount equal to the initial Reserve Requirement to be credited to the Reserve Account. The Bond Insurer will issue the Reserve Policy concurrently with the issuance of the 2017 Bonds.

Amounts available from the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Bonds then Outstanding.

The Successor Agency will have no obligation to replace the Reserve Policy or to fund the Reserve Account with cash if, at any time that the 2017 Bonds are Outstanding, amounts are not available under the Reserve Policy or if the rating of the claims-paying ability of the Bond Insurer is downgraded.

See “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE.”

Limitation on Additional Bonds

In addition to the 2017 Bonds, the Indenture will permit the Successor Agency to issue or incur additional Parity Debt in such principal amount as will be determined by the Successor Agency for refunding purposes only. The Successor Agency may issue and deliver any such Parity Debt only if the additional Parity Debt will be issued in compliance with the refunding provisions of the Dissolution Act, including, but not limited to, the requirement that the total interest cost to maturity on the Parity Debt plus the principal amount of the Parity Debt will not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded.

The Successor Agency will covenant to not issue or incur any bonds, notes, loans, advances or other indebtedness that are secured by a pledge of moneys deposited in RPTTF on a basis senior or superior to the Bonds.

SUCCESSOR AGENCY

Former Agency

The City Council of the City activated the Former Agency on June 19, 1980, with the adoption of Ordinance No. 88, pursuant to the Redevelopment Law. The five members of the City Council served as the governing body of the Former Agency. The City Manager served as the Former Agency's Executive Director, and many other staff members of the City also functioned as staff members of the Former Agency. However, the Former Agency was a separate public body from the City.

Establishment of Successor Agency

As described under "INTRODUCTION – Dissolution of Former Agency; Establishment of Successor Agency," pursuant to AB X1 26 (which was enacted as part of the State's 2011 Budget Act) and the California Supreme Court's decision in the CRA Lawsuit, the Former Agency was dissolved as of February 1, 2012, and the Successor Agency was constituted. Upon the Former Agency's dissolution, all of the Former Agency's assets, properties, contracts, leases, books and records were transferred to the control of the Successor Agency by operation of law.

The Successor Agency is tasked with winding down the affairs of the Former Agency. Many of the Successor Agency's actions are subject to the prior approval, or the direction of the Oversight Board. See "Oversight Board" below. The Successor Agency is required to continue to make payments for enforceable obligations (as defined under the Dissolution Act) and to prepare ROPS at the times prescribed by the Dissolution Act, listing the payments for enforceable obligations that the Successor Agency is expected to make for each six-month ROPS Payment Period. See "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Recognized Obligation Payment Schedules." California Health and Safety Code Section 34173(e) states that that the liability of the Successor Agency, acting pursuant to the powers granted under the Dissolution Act, is limited to the extent of the total sum of property tax revenues it receives pursuant to the Dissolution Act and the value of assets transferred to it as the Successor Agency of the Former Agency.

The Successor Agency will continue to exist until all enforceable obligations have been paid. The Dissolution Act provides that the Successor Agency will submit to the Oversight Board a request to formally dissolve the Successor Agency after all of the enforceable obligations have been retired or paid, all real property has been disposed, and all outstanding litigation has been resolved. The Oversight Board must approve such request within 30 days. After the Oversight Board's approval, the request must be

submitted to the DOF. The DOF will have 30 days to approve or deny such request. When the DOF has approved the request, the Successor Agency must take the final steps pursuant to the Dissolution Act within 100 days of the DOF notification to dissolve the Successor Agency. Such final steps include the disposition of any remaining assets and the transfer of all such disposition proceeds to the County Auditor-Controller for disbursement to the taxing entities.

Administration and Personnel

Pursuant to the Dissolution Act, the City Council of the City adopted Resolution No. 1873 on January 11, 2012, and elected for the City to serve as the Successor Agency. On February 1, 2012, the City Council further adopted Resolution No. SA-1, affirming the formation of the Successor Agency as a distinct entity from the City and establishing that a Board of Directors, consisting of the members of the City Council of the City, would be the governing board for the Successor Agency. As clarified by California Health and Safety Code Section 34173(g), the City and the Successor Agency are separate entities and are not merged as a result of the City's election to serve as the Successor Agency. Neither the assets nor the liabilities of the Former Agency are transferred to the City by virtue of the City's election to serve as the Successor Agency.

The members of the Board of Directors of the Successor Agency (being members of the City Council of the City) and their terms of office are shown below:

<u>Member</u>	<u>Term Expires</u>
Randy Johnson, <i>Chair</i>	November 2020
Jim Reed, <i>Vice Chair</i>	November 2018
Stephany Aguilar	November 2018
Jack Dilles	November 2020
Donna Lind	November 2020

The City Manager and the Finance Director of the City are designated the Executive Director and the Finance Officer, respectively, of the Successor Agency. The City Clerk is the Successor Agency's Secretary. The City Attorney serves as the Successor Agency's General Counsel.

Oversight Board

Pursuant to the Dissolution Act, a seven-member Oversight Board has been established. The Oversight Board has fiduciary responsibilities to the taxing agencies that benefit from distributions of the RPTTF Residual under the Dissolution Act (see "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – RPTTF Flow of Funds) and, at the same time, holders of enforceable obligations.

Members of the Oversight Board include one member appointed by the largest special district by property tax share within the territorial jurisdiction of the Former Agency, one member appointed by the County Superintendent of Schools, one member appointed by the Chancellor of the California Community Colleges to represent the local community college districts, two members (with one being a member of the public) appointed by the County Board of Supervisors, one member appointed by the Mayor of the City and one member representing employees of the Former Agency. The Dissolution Act provides that, starting July 1, 2018, the current Oversight Board will be replaced, such that there will be only one oversight board for all of the successor agencies in the County.

The Dissolution Act specifies that certain Successor Agency actions must first be approved by the Oversight Board, including among others:

- (i) The establishment of new repayment terms for outstanding loans where the terms have not been previously specified (subject to restrictions set forth in the Dissolution Act regarding the re-establishment of loan agreements between the Successor Agency and the City);
- (ii) The issuance of bonds or other indebtedness or the pledge or agreement for the pledge of property tax revenues (formerly tax increment) pursuant to California Health and Safety Code Section 34177.5(a) (see “AUTHORIZATION AND VALIDITY OF 2017 BONDS UNDER DISSOLUTION ACT”);
- (iii) Setting aside of amounts in reserves as required by indentures, trust indentures, or similar documents governing the issuance of outstanding bonds; and
- (iv) Establishment of the ROPS (see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Recognized Obligation Payment Schedules”).

The Dissolution Act also specifies that the Oversight Board must direct the Successor Agency to take certain actions which, among others, include:

- (a) Dispose of all assets and properties of the Former Agency (see, however, “Disposition of Real Properties; Long Range Property Management Plan” below);
- (b) Cease performance in connection with and terminate all existing agreements that do not qualify as enforceable obligations;
- (c) Determine whether any contracts, agreements, or other arrangements between the Former Agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities, and present proposed termination or amendment agreements to the Oversight Board for its approval, upon which the Oversight Board may approve any amendments to or early termination of those agreements, if it finds that amendments or early termination would be in the best interests of the taxing entities (but see “AUTHORIZATION AND VALIDITY OF 2017 BONDS UNDER DISSOLUTION ACT – Expiration of Challenge Period” regarding the prohibition on certain unilateral actions by the Oversight Board relating to the 2017 Bonds after the issuance of the 2017 Bonds).

All actions taken by the Oversight Board must be adopted by resolution. With limited exceptions, an Oversight Board resolution is not effective unless it has been approved, or deemed approved, by the DOF in accordance with the provisions of the Dissolution Act.

Transfers to Housing Successor

Pursuant to the Dissolution Act, the City Council adopted Resolution No. 1873, on January 11, 2012, electing for the City to become the “housing successor” and assumed the housing function of the Former Agency. Subsequently, the Successor Agency transferred to the City, as the housing successor, the assets identified in a Housing Asset List (which was submitted to, and modified by the DOF). Outstanding obligations which were payable from the Housing Set-Aside, as approved by the Oversight Board and the DOF pursuant to the ROPS, remain to be enforceable obligations of the Successor Agency payable from the RPTTF.

Due Diligence Reviews

Pursuant to the Dissolution Act, the Successor Agency was required to retain independent accountants to conduct two reviews, known as due diligence reviews (each, a “DDR”) – one for the Housing Fund and the other for all of the other funds and accounts (the “Other Funds”) – to determine the unobligated balance (the “Unobligated Balance”), if any, of the Housing Fund and the Other Funds, as of June 30, 2012. Legally restricted funds (including bond proceeds), value of assets that are not cash or cash equivalents (such as land and equipment) and amounts that are needed to satisfy obligations listed on approved ROPS were excluded from the Unobligated Balance.

Pursuant to the DDRs, as reviewed and modified by the DOF, the Successor Agency remitted the determined Unobligated Balance to the County Auditor-Controller for distribution to the taxing agencies. Because the Successor Agency has made such remittance as required by the DOF, as well as certain other amounts previously required to be remitted pursuant to the Dissolution Act, the DOF issued a “Finding of Completion” to the Successor Agency on April 3, 2013. Upon receipt of such Finding of Completion, the Successor Agency is authorized to proceed with actions permitted under certain provisions of the Dissolution Act, such as the submission of a Long Range Property Management Plan (see below).

Real Property Disposition; Long Range Property Management Plan

Generally under Health and Safety Code Sections 34177(e) and 34181(a) of the Dissolution Act, the Successor Agency is required, at the direction of the Oversight Board, to dispose of the assets and properties of the Former Agency expeditiously and in a manner aimed at maximizing value (except that the Oversight Board may give other directions regarding the transfer of certain government use properties to a public jurisdiction as permitted by the Dissolution Act and regarding the transfer of properties that is required by enforceable obligations). Proceeds from asset sales that are no longer needed for approved development projects or to otherwise wind down the affairs of the Former Agency, each as determined by the Oversight Board, are to be transferred to the County Auditor-Controller for distribution to taxing agencies.

However, the requirements for such expeditious asset disposition were suspended and are superseded if the DOF approved a Long Range Property Management Plan for the Successor Agency before January 1, 2016. The Long Range Property Management Plan contains an inventory of the real property interests of the Former Agency and addresses the proposed use or disposition of each property interest under one of four categories: (i) retention for governmental use, (ii) retention for future development, (iii) disposition by sale, and (iv) fulfillment of an enforceable obligation. On July 15, 2014, the DOF issued a letter approving the Successor Agency’s Long Range Property Management Plan.

Audited Financial Statements

Before the enactment of the Dissolution Act, the Former Agency retained independent auditors to prepare a report of the Former Agency’s audited financial statements for each fiscal year ended June 30, separate and apart from the report of City’s audited financial statements.

The Dissolution Act provides that a post-audit of the financial transactions and records of the Successor Agency must be made at least annually by a certified public accountant. Starting with the reporting related to fiscal year 2012-13, no separate component unit financial statements were prepared for the Successor Agency. Instead, the financial transactions for the Successor Agency were reported as part of the City’s audited financial statements. The accounting firm of Marcello & Company (the “Auditors”) prepared the City’s audited financial statements for fiscal year ended 2015-16 (the “FY 2015-16 City Audited Financials”). The FY 2015-16 City Audit Financials were incorporated in, and made a

part of, the City's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016, a copy of which is attached as Appendix C to this Official Statement. The Successor Agency has not requested nor obtained permission from the Auditors to include the FY 2015-16 City Audit Financials as part of Appendix C to this Official Statement. The Auditors have not performed any post-audit review of the financial condition or operations of the City or the Successor Agency for the purposes of this Official Statement.

The inclusion of the Successor Agency's financial transactions in the FY 2015-16 City Audited Financials is solely for convenience. As previously discussed in this Official Statement, the Dissolution expressly clarifies that the Successor Agency is a separate legal entity from the City. The assets and the liabilities of the Former Agency have been transferred to the Successor Agency. The assets and liabilities of the Successor Agency are not assets and liabilities of the City.

PROJECT AREA

General Description; Redevelopment Plan

The Project Area is comprised of approximately 988 acres, or approximately 40 percent of the total incorporated area of the City. It includes most of the City's major commercial and industrial areas. As further described below, residential properties account for approximately 60 percent of the fiscal year 2016-17 secured assessed valuation of the Project Area, while commercial and industrial uses account for approximately 30 percent.

The Original Plan for the Project Area was adopted on November 27, 1990, by Ordinance No. 142 of the City. The Original Plan was amended on October 19, 1994, by Ordinance No. 142.3, to establish certain time limits relating to the Former Agency's incurrence of debt and receipt of tax increment to repay debt. A second amendment was adopted on February 20, 2002, by Ordinance No. 142.6, to extend the time limit for the Former Agency's authority to exercise eminent domain. A third amendment was adopted on December 15, 2010, by Ordinance No. 142.6, to: (i) eliminate the time limit relating to the incurrence of debt and (ii) extend, by one year, each of the time limit on the effectiveness of the Redevelopment Plan and the receipt of tax increment to repay debt.

Pursuant to prior law, the Redevelopment Plan contained certain limits (the "Plan Limits") with respect to the Project Area including: the duration of the Redevelopment Plan effectiveness, the last date on which the Former Agency may receive tax increment to repay debt, the maximum dollar of bonded debt that may be outstanding at any one time, and the maximum aggregate tax increment which the Former Agency may receive. Amendments to the Dissolution Act, which were enacted in September 2015, provide that, for the purpose of payment of enforceable obligations, such as the 2017 Bonds, the Successor Agency is not subject to the Plan Limits.

Assessed Value

The table below sets forth the assessed values for the Project Area for fiscal years shown.

Table 1
SCOTTS VALLEY REDEVELOPMENT PROJECT
Historic Assessed Valuation
Fiscal Years 2007-08 through 2016-17

Fiscal Year	Secured	Unsecured	Assessed Value⁽¹⁾	Percentage Change from Prior FY	Incremental Value⁽²⁾
2007-08	\$864,125,798	\$82,152,338	\$946,278,136	4%	\$528,673,403
2008-09	888,666,626	80,172,093	968,838,719	6	551,233,986
2009-10	861,564,917	83,958,611	945,523,528	-2	527,918,795
2010-11	855,375,544	61,540,933	916,916,477	-3	499,311,744
2011-12	836,693,890	57,723,674	894,417,564	-2	476,812,831
2012-13	789,158,579	57,350,086	846,508,665	-5	428,903,932
2013-14	808,705,161	53,990,667	862,695,828	2	445,091,095
2014-15	845,695,308	59,247,101	904,942,409	5	487,337,676
2015-16	919,038,031	64,638,470	983,676,501	9	566,071,768
2016-17	965,439,389	74,807,120	1,040,246,509	6	622,641,776

(1) Equals the sum of "Secured Value" and "Unsecured Value."

(2) Equals "Taxable Assessed Value minus base year value of \$417,604,733."

Source: Fraser & Associates, based on information from the Santa Cruz County.

The assessed value decrease during the period between fiscal years 2009-10 and 2012-13 was, in large part, due to Proposition 8 Adjustments (defined below; see discussion under "TAX REVENUES AND DEBT SERVICE COVERAGE – Assessed Value Appeals and Proposition 8 Adjustments") of residential properties. The table below shows the contrast between: (i) the assessed value decrease during the period from fiscal year 2008-09 to fiscal year 2012-13, in light of Proposition 8 Adjustments and the decline of residential property sale prices, and (ii) the assessed value increase from fiscal year 2013-14 to fiscal year 2016-17 due to the reversal of Proposition 8 Adjustments and the rise of residential property sales prices, upon the real estate market recovery.

Table 2
SCOTTS VALLEY REDEVELOPMENT PROJECT
Summary of Secured Assessed Value Changes

Land Use	Fiscal Years 2008-09 to 2012-13	Fiscal Years 2013-14 to 2016-17
Proposition 8 Reductions	\$(60,543,758)	\$0
Property Sales	(13,190,722)	54,083,276
Non-Residential Decreases	(50,183,169)	0
Proposition 8 Reversals	0	59,474,501
Non-Residential Increases	0	0
New Development	6,259,225	52,992,902
Other	18,150,377	9,639,069
Total	\$(99,508,047)	\$176,189,748

Source: Fraser & Associates, based on information from the Santa Cruz County.

See more detailed discussions in the Fiscal Consultant Report set forth in Appendix B, under “Section D – Taxable Values and Historical Revenues – *Project Area Value Trends*” and “Section E – Assessment Appeals – *Proposition 8 Reductions and Reversals*.”

Land Use

Set forth below is a summary of the land uses in the Project Area based on the fiscal year 2016-17 County property tax roll.

Table 3
SCOTTS VALLEY REDEVELOPMENT PROJECT
Land Uses

Land Use	Number of Parcels	FY 2016-17 Secured Assessed Value	Percent of Assessed Value⁽¹⁾
Residential	1,288	\$624,287,625	60.01%
Commercial	125	207,758,487	19.97
Industrial	61	102,936,002	9.90
Vacant	64	26,812,000	2.58
Other	84	3,645,275	0.35
Total Secured	1,622	\$965,439,389	92.81%
Unsecured		74,807,120	7.19
Total		\$1,040,246,509	100.00%

Source: Fraser & Associates, based on information from the Santa Cruz County.

Top Ten Property Owners (by Assessed Value)

The table below shows the top ten property owners of the Project Area, based on the aggregate assessed value of the property or properties owned.

Table 4
SCOTTS VALLEY REDEVELOPMENT PROJECT
Top Ten Property Owners
(Based on Ownership of Property Included in Fiscal Year 2016-17 Assessed Value)

Property Owner	Land Use	Secured Assessed Value	Unsecured Assessed Value	Total Assessed Value	Percent of Total Assessed Value⁽¹⁾	Percent of Incremental Value⁽²⁾
Granite Creek Business Center	Office	\$13,948,571	\$0	\$13,948,571	1.34%	2.24%
American Yiluen Dev and Holdings	R&D/Office	13,210,316	0	13,210,316	1.27	2.12
Broughton Properties LLC	R&D/Office	12,536,657	0	12,536,657	1.21	2.01
Gilbert Willian R and Linda J Trustee	R&D/Office	12,058,306	0	12,058,306	1.16	1.94
David L Ow Trustee	Shopping Center	10,590,040	0	10,590,040	1.02	1.70
Sammie Rae Abitbol LLC	R&D/Office	9,951,681	0	9,951,681	0.96	1.60
S & A Ito Family Partnership	Shopping Center	9,944,881	0	9,944,881	0.96	1.60
Threshold Enterprises Limited ⁽³⁾	R&D/Office	0	9,243,121	9,243,121	0.89	1.48
Fox Factory ⁽⁴⁾	R&D/Office	0	8,498,203	8,498,203	0.82	1.36
Carbonero Creek Associates	R&D/Office	8,293,291		8,293,291	0.80	1.33
Total:		\$90,533,743	\$17,741,324	\$108,275,067	10.41%	17.39%

(1) Based on fiscal year 2016-17 total assessed value of \$108,275,067.

(2) Based on fiscal year 2016-17 incremental valuation of \$622,641,776.

Source: Fraser & Associates, based on information from County fiscal year 2016-17 secured property tax roll.

TAX REVENUES AND DEBT SERVICE COVERAGE

The following section presents a summary of the historical and projected assessed valuation and property tax revenues with respect to the Project Area, based on information provided by Fraser & Associates, as Fiscal Consultant. The Successor Agency believes the assumptions upon which the projections are based are reasonable. However, some assumptions may not materialize and unanticipated events and circumstances may occur. See “RISK FACTORS.” The projections do not include an allowance for property tax appeals and related refunds or delinquencies by taxpayers. The actual amount of Tax Revenues available for debt service during the forecast period may vary from the projections and the variations may be material.

The Dissolution Act eliminated the term “tax increment” when referring to the portion of property tax revenues allocated and deposited into the RPTTF. However, at the same time, the Dissolution Act provides that the amount of deposit into the RPTTF each fiscal year is the amount of property taxes that would have been allocated to the Former Agency – *i.e.*, formerly, tax increment. See “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Allocation of Property Taxes (Determination RPTTF Deposits).” For convenience, the tables below continue to use the term “tax increment” when referring to the portion of property tax revenues derived from the Project Area that is allocable to the RPTTF.

Santa Cruz County Tax Increment Calculation; Teeter Plan

The County calculates tax increment to the Project Area by applying the one percent tax rate to incremental taxable values. The County also allocates unitary revenue to the Project Area. See “PROPERTY TAXATION IN CALIFORNIA – Unitary Property.” The County Auditor-Controller aggregates the taxable values assigned to property in the Project Area by the County Assessor as of the January 1 lien date. This aggregated value becomes total current year Project Area taxable value and the basis for determining the tax increment dollars. Although adjustments to taxable values for property within the Project Area may occur throughout the fiscal year to reflect escaped assessments, roll corrections, etc., such adjustments are not assumed on the projection of Tax Revenues below.

Secured taxes are due in two equal installments, on November 1 and February 1. Installments of taxes levied upon secured property become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are due March 1 and become delinquent August 31.

The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), which allows each entity levying property taxes in the County to draw on the amount of secured property taxes levied rather than the amount actually collected. As the result, for each fiscal year, the allocation of tax increment to the Former Agency before dissolution reflected, and the total deposit into the RPTTF after the Former Agency’s dissolution, reflected the total amount levied on the secured tax roll rather than actual collections. There is no assurance that the County will not terminate the Teeter Plan or change its practices thereunder at any time in the future. See “RISK FACTORS – Property Tax Delinquencies; Teeter Plan.” Regardless of the Teeter Plan, The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments. See “Assessed Value Appeals and Proposition 8 Adjustments” below. Tax increment generated from the application of the one percent tax rate to the unsecured incremental value of the Project area is based on the actual collections of unsecured revenues on a county-wide basis.

Historical Assessed Valuation and Property Tax Revenues

Set forth below is a summary of the assessed values and tax increment for fiscal years 2011-12 through 2015-16 for the Project Area:

Table 5
SCOTTS VALLEY REDEVELOPMENT PROJECT
Historical Assessed Values and Tax Increment
Fiscal Years 2012-13 to 2015-16

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Total assessed value ⁽¹⁾	\$894,417,564	\$846,508,665	\$862,695,828	\$904,942,409	\$983,676,501
Less: Base year value	(417,604,733)	(417,604,733)	(417,604,733)	(417,604,733)	(417,604,733)
Incremental value	\$476,812,831	\$428,903,932	\$445,091,095	\$487,337,676	\$566,071,768
Tax increment⁽²⁾					
Tax increment receipt per County initial levy	\$4,825,421	\$4,226,238	\$4,470,611	\$4,913,728	\$5,629,997
Supplemental / unitary	32,726	113,216	(36,096)	127,343	302,044
Gross tax increment	\$4,858,147	\$4,339,454	\$4,434,515	\$5,041,071	\$5,932,041
Less: County admin. fee ⁽³⁾	81,903	(51,299)	(66,260)	(51,983)	(57,529)
Less: Pass-through payments ⁽⁴⁾	2,468,266	(2,080,320)	(2,190,961)	(2,586,312)	(3,021,678)
Net tax increment	\$2,307,978	\$2,207,835	\$2,177,294	\$2,402,776	\$2,852,834

(1) See Table 1.

(2) See Table 3 (Historical receipts to Levy) and Table 4 (Historical Analysis of Tax Increment Revenues) of Fiscal Consultant Report set forth in Appendix B

(3) Payable to the County pursuant to California Revenue and Taxation Code Section 95.3 and California Health and Safety Code Sections 34182 and 34183(a). See "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedure."

(4) Breakdown among negotiated Pass-Through Payments, and Section 33676 Payments not available from the County. No AB 1290 Payment apparently included. See discussion "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments," including "– AB 1290 Payments" thereunder.

Source: Fraser & Associates, based on information provided by Santa Cruz County Audit-Controller.

Assessed Value Appeals and Proposition 8 Adjustments

Pursuant to State law, property owners may apply for a reduction of their property tax assessment by filing a written appeal. After the applicant and the assessor have presented their arguments, the applicable local appeals board makes a final decision on the proper assessed value. The appeals board may rule in the assessor's favor, rule in the applicant's favor, or set its own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion. Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date. A base year assessment appeal has significant future revenue impacts because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Section 51 of the Revenue and Taxation Code also permits a reduction (a “Proposition 8 Adjustment”) in the assessed value if the full cash value of the property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. During the Great Recession (which began around 2007), the County Assessor’s Office initiated proactive reviews of the assessed value of properties, which resulted in Proposition 8 Adjustments for many properties in the Project Area and the County.

After a roll reduction is granted under Section 51, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

The taxable value of unitary property may be contested by utility companies and railroads to the State Board of Equalization. Generally, the impact of utility appeals is on the statewide value of a utility determined by the State Board of Equalization. As a result, the successful appeal of a utility may not impact the taxable value of a project area but could impact a project area’s allocation of unitary property tax revenues.

Any assessment appeal that is pending or which may be filed in the future, if successful, will result in a reduction of the assessed value of the subject property. A reduction of assessed valuation due to appeals, if significant, and the resulting property tax refunds could adversely impact the amount of Tax Revenues available to pay debt.

Impact on Project Area Based on Proposition 8 Adjustments; No Pending Appeals.

In connection with the delivery of its report regarding projected Tax Revenues (a copy of which is attached to this Official Statement as Appendix B), the Fiscal Consultant examined the Proposition 8 Adjustments during the last ten years. As shown in Table 2 under “PROJECT AREA – Assessed Value,” Proposition 8 Adjustments during fiscal years 2008-09 and 2012-13 resulted in a total reduction of \$60.5 million in the assessed value of the Project Area. Since 2012, with rising property values, the assessed value of many properties was re-adjusted, reversing the reductions from the earlier Proposition Adjustments. These reversals of Proposition 8 Adjustments added \$59.5 million back to the assessed value of the Project Area between fiscal years 2012-13 and 2016-17. By further examining the sales data of property in the Project Area during the last two years, the Fiscal Consultant concluded that the sale prices exceeded the tax roll values by a substantial margin.

The Fiscal Consultant also reported that, based on information provided by the County Assessor’s Office, there were no currently open appeals in the Project Area as of October 2016.

The tax increment projection shown in the tables below and in the Fiscal Consultant Report does not take into account any potential future Proposition 8 Adjustments or successful appeals by property owners. See discussions in the Fiscal Consultant Report set forth in Appendix B, under “Section D – Taxable Values and Historical Revenues – *Project Area Value Trends*” and “Section E – Assessment Appeals – *Proposition 8 Reductions and Reversals*.” See “RISK FACTORS—Reduction in Taxable Value” and “– Effect of Assessment Appeals.”

Historical RPTTF Allocations

The following table summarizes the dollar amount of property tax revenues from the Project Area that the County Auditor-Controller allocated to the RPTTF during the ROPS Payment Periods starting in January 2015 through June 2017.

Table 6
SCOTTS VALLEY REDEVELOPMENT PROJECT
RPTTF Allocation
For ROPS Payment Periods Starting January 2015 Through June 2017

RPTTF Disbursement Date and ROPS Payment Period	Available RPTTF for Enforceable Obligations ⁽¹⁾
January 2015 disbursement for ROPS Period from January 2015 through June 2015	\$1,321,079
June 2015 disbursement for ROPS Period from July 2015 through December 2015	\$1,081,697
January 2016 disbursement for ROPS Period from January 2016 through June 2016	\$1,571,619
June 2016 disbursement for ROPS Period from July 2016 through December 2016	\$1,281,215
January 2017 disbursement for ROPS Period from January 2017 through June 2017	

(1) Represents total RPTTF deposits after deduction for County administrative expenses and pass-through payments; see “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – RPTTF Flow of Funds.” Amount available for disbursement to Successor Agency for enforceable obligations listed on approved ROPS is based on total tax increment deposited into the RPTTF less County administrative expenses and pass-through payments. However, actual amount received by Successor Agency is based on the ROPS, as approved by the DOF.

Source: City of Scotts Valley, based on information provided by Santa Cruz County Audit-Controller Office.

Projected Tax Revenues; Coverage Projections

Table 7 shows the projected taxable valuation (assessed values) for the Project Area and the projected Tax Revenues from fiscal years 2016-17 to 2025-26. For Table 7 only, the Fiscal Consultant has assumed assessed value in the Project Area will increase by two percent each fiscal year, compounded annually. The projections do not take into account any potential reduction based on any future appeals. See “Assessed Value Appeals and Proposition 8 Adjustments – *Impact on Project Area Based on Appeals*” above.

Table 8 shows the projected coverage between the Tax Revenues and total debt service for the 2017 Bonds, assuming no growth in assessed value after fiscal year 2016-17, and no reduction based on any future appeals.

While the Successor Agency believes that the assumptions used for the projected Tax Revenues and debt service coverage below are reasonable, the assessed values, and the Tax Revenues during the forecast period may vary from the projections and the variations may be material. Property value in the Project Area will be subject to the fluctuation of the real estate market throughout the term of the 2017 Bonds. There is no guarantee that the assessed value of the Project Area will continue to increase, or that it will never decrease below the fiscal year 2016-17 level while the 2017 Bonds are outstanding. See “RISK FACTORS.”

Table 7
SCOTTS VALLEY REDEVELOPMENT PROJECT
Projected Tax Revenues
(Based on Assumed Two Percent Assessed Value Growth)
Fiscal Years 2016-17 to 2025-26
(000's omitted)

Fiscal Year	Taxable Valuation⁽¹⁾	Incremental Valuation⁽²⁾	Gross Tax Increment⁽³⁾	County Administrative Charges⁽⁴⁾	Section 33676 Payments⁽⁵⁾	Pass-Through Agreement Payments⁽⁶⁾	AB 1290 Payments⁽⁷⁾	Tax Revenues⁽⁸⁾
2016-17	\$1,040,247	\$622,642	\$6,235	\$64	\$154	\$3,078	34 ⁽⁹⁾	\$2,905 ⁽⁹⁾
2017-18 ⁽¹⁾	1,073,508	655,903	6,567	67	169	3,240	28	3,063
2018-19	1,094,007	676,402	6,772	69	184	3,340	31	3,147
2019-20	1,114,915	697,310	6,981	71	199	3,443	35	3,233
2020-21	1,136,242	718,637	7,195	74	215	3,547	39	3,321
2021-22	1,157,995	740,390	7,412	76	231	3,710	46	3,350
2022-23	1,180,183	762,578	7,634	78	247	3,820	53	3,435
2023-24	1,202,815	785,210	7,860	80	264	3,933	60	3,523
2024-25	1,225,900	808,295	8,091	83	281	4,047	68	3,613
2025-26	1,249,446	831,841	8,327	85	298	4,164	76	3,704

- (1) Based on fiscal year 2016-17 actual assessed value, with assumed two percent annual assessed value growth thereafter. For fiscal year 2017-18 only, includes additional; \$13,428 based on value of ownership change through August 2016. Includes secured assessed value, unsecured assessed value. Does not take into account the potential result of any pending or future assessed valuation appeal or adjustment. See "Assessed Value Appeals and Proposition 8 Adjustments" above.
- (2) Equals "Taxable Valuation" minus base year valuation of \$417,604,733.
- (3) Equals one percent of "Incremental Valuation" plus an estimated \$8,000 of unitary revenue. See "Santa Cruz County Tax Increment Calculation; Teeter Plan" and "PROPERTY TAXATION IN CALIFORNIA – Unitary Property."
- (4) Payable to the County pursuant to California Revenue and Taxation Code Section 95.3 and California Health and Safety Code Sections 34182 and 34183(a). See "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedure."
- (5) See "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments – Section 33676 Tax Sharing Payments."
- (6) See "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments – Negotiated Pass-Through Agreements."
- (7) See "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments – AB 1290 Payments."
- (8) Equals "Gross Tax Increment" minus "County Administrative Charges," "Section 33676 Payments," "Pass-Through Agreement Payments" and "AB 1290 Payments."
- (9) For fiscal year 2016-17 only, includes an assumed one-time recapture of \$12,000 for AB 1290 Payments that should have been made in fiscal year 2015-16.

Source: Fraser & Associates

Table 8
SCOTTS VALLEY REDEVELOPMENT PROJECT
Estimated Debt Service Coverage – Assuming No Assessed Value Growth
(Comparing Tax Revenues and Scheduled Bonds Debt Service)

Year ⁽¹⁾	Tax Revenues ⁽²⁾	Bond Debt Service*	Debt Service Coverage* ⁽³⁾
2017 ⁽⁴⁾	\$2,905,000		
2018	2,917,000		
2019	2,917,000		
2020	2,917,000		
2021	2,917,000		
2022 ⁽⁵⁾	2,870,000		
2023	2,870,000		
2024	2,870,000		
2025	2,870,000		
2026	2,870,000		
2027	2,870,000		
2028	2,870,000		
2029	2,870,000		
2030	2,870,000		
2031	2,870,000		
2032	2,870,000		
2033	2,870,000		
2034	2,870,000		
2035	2,870,000		
2036	2,870,000		
2037	2,870,000		
2038	2,870,000		
2039	2,870,000		

* Preliminary; subject to change.

(1) Tax Revenues presented on a fiscal year (July 1 to June 30) basis. Debt Service presented based on corresponding Bond Year ([September 2 to September 1]), assuming no optional redemption prior to maturity.

(2) Calculated based on estimated fiscal year 2016-17 Tax Revenues (see Table 7), with no further assessed value growth assumed.

(3) Equals “Tax Revenues” divided by “Bonds Debt Service.”

(4) For fiscal year 2016-17 only, includes an assumed one-time recapture of \$12,000 for AB 1290 Payments that should have been made in fiscal year 2015-16. See discussion under “SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Pass-Through Payments – AB 1290 Payments.”

(5) Decrease in fiscal 2021-22 and thereafter due to increase of pass-through payment under agreement with the Scotts Valley Water District. See explanation in the Fiscal Consultant Report set forth in Appendix B, under “Section G – Adjustments and Liens on Tax Increment – Senior Tax Sharing Payments.”

Source: Tax Revenues projections by Fraser & Associates; debt service and debt service coverage by Stifel, Nicolaus & Company, Incorporated.

RISK FACTORS

Investment in the 2017 Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the 2017 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2017 Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 2017 Bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.

Reduction in Taxable Value

The projected Tax Revenues shown in this Official Statement are based on certain assumptions. See “TAX REVENUES AND DEBT SERVICE COVERAGE – Projected Tax Revenues; Coverage Projections.” No assurances can be given that the assessed value of properties in the Project Area will never fall below the values estimated for the projections shown in Tables 7 and 8 and the Fiscal Consultant Report attached in Appendix B.

Property values, and correspondingly, assessed values are impacted by many factors which are beyond the Successor Agency’s control. The residential property markets in many areas of the State have experienced significant boom, downturn and recovery during the last two decades. See discussion and tables under “PROJECT AREA – Assessed Value.” With respect to commercial and industrial properties, periodic improvement and reinvestment are generally required to maintain their value. The willingness of an owner to upgrade and maintain such property depends on many factors, including vacancy rate (for rental properties) and the financial health of the businesses operated on such property. The Successor Agency has not undertaken to assess the financial conditions of the current owners or occupants of the properties within the Project Area or make inquiries into the means by which such owners financed their properties. Property value and development growth in the Project Area will be subject to the fluctuation of the real estate market throughout the term of the 2017 Bonds.

In addition to the general real estate market fluctuation, a relocation out of the Project Area by one or more major property owners, the discovery of hazardous substances on a property within the Project Area (see “Hazardous Substances” below) or the complete or partial destruction of property caused by, among other possibilities, an earthquake, flood or other natural disaster (see “Natural Disasters” below or any other event which would permit a reassessment of property at lower values), could cause a reduction in the assessed value of properties in the Project Area. Future initiatives or legislation may be approved by the electorate or the legislature which would further limit the increase of assessed value of a property or reduce the tax rate applicable to the property, and could cause a reduction in the Tax Revenues. See “PROPERTY TAXATION IN CALIFORNIA.” Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. The projections set forth in Tables 7 and 8 and in the Report in Appendix B do not include any potential reduction based on appeals. See “TAX REVENUES AND DEBT SERVICE COVERAGE – Assessed Value Appeals and Proposition 8 Adjustments.” A reduction of assessed valuation that causes a decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Successor Agency’s ability to make timely repayments on the 2017 Bonds.

Natural Disasters

The value of the property in the Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on the property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides, fire storms and floods and climatic conditions such as droughts. If one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and property value in the Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay the property taxes.

Seismic

The City lies within or near several major seismic faults and fault systems, placing it in an area of high seismic risk. Within the County, there are several active and potentially active faults. These include the San Andreas, San Gregorio, Zayante, Ben Lomond and Butano Faults, and the Monterey Bay Fault Zone, as well as numerous fault complexes and branches of these major faults. The City is located in an area classified as Seismic Zone 4, the highest risk zone classification under the Uniform Building Code. The area includes all of the greater San Francisco Bay Area and all of coastal California.

Flooding

There are several areas subject to flooding in the City, including, without limitation, overflow from Carbonera Creek, which begins 1.3 miles north of the City limits and runs through the City parallel to Highway 17.

Wildfire

There are several wildland/urban interface areas within the City, including several areas designated as mutual threat zones. Mutual threat zones are defined as areas where a wildfire would threaten property within the City as well as property covered by another fire protection service located outside the City. Fire protection service within the City is provided by the Scotts Valley Fire Protection District.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition at the 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 property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Property Tax Delinquencies; Teeter Plan

The Successor Agency does not have any independent power to levy and collect property taxes. As discussed under “TAX REVENUES AND DEBT SERVICE COVERAGE – Santa Cruz County Calculation of Tax Increment; Teeter Plan,” the County has implemented a Teeter Plan which allows each entity levying property taxes in the County to draw on the amount of secured property taxes levied rather than the amount actually collected. So long as the Teeter Plan is in effect, the amount of the property tax revenues to be deposited into the RPTTF will not be affected by taxpayers’ delinquency in payment secured property taxes. However, the County is entitled at any time, and could be required under certain circumstances, to terminate its Teeter Plan with respect to all or part of the local agencies. If the Teeter Plan is terminated, then the amount of the property tax revenues to be deposited into the RPTTF will reflect actual collections, without protection from the Teeter Plan.

The payment of the property taxes and the ability of the County to foreclose on the lien of delinquent unpaid property tax may be limited or delayed by bankruptcy, insolvency or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. In addition, the prosecution of a foreclosure action could be delayed due to crowded local court calendars or delays in the legal process. Although bankruptcy proceedings would not cause the lien of the property tax to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. The federal bankruptcy laws provide for an automatic stay of foreclosure and sale of tax sale proceedings, thereby delaying such proceedings perhaps for an extended period. Further, should remedies be exercised under the federal bankruptcy laws, payment of the property tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the property tax in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding. If the Teeter Plan is terminated in the future, the property tax revenues to be deposited into the RPTTF may be impacted, if the County’s ability to collect property tax revenues is affected by such bankruptcy, insolvency or other proceedings generally affecting creditors’ rights or judicial foreclosure proceedings.

Successor Agency Powers and Resources Limited

The Successor Agency is created pursuant to the Dissolution Act to wind down the affairs of the Former Agency. Its powers are limited to those granted under the Dissolution Act. It does not have any legal authority to participate in redevelopment activities, except to complete work related to enforceable obligations, as defined in the Dissolution Act. Many Successor Agency actions are subject to the review or the direction of the Oversight Board and the DOF, and in some cases, the County Auditor-Controller and the State Controller. California Health and Safety Code Section 34173(e) states that that the liability of the Successor Agency, acting pursuant to the powers granted under the Dissolution Act, is limited to the extent of the total sum of property tax revenues it receives pursuant to the Dissolution Act and the value of assets transferred to it as a Successor Agency for the Former Agency. See “SUCCESSOR AGENCY.”

Prior to dissolution, the Former Agency retained funds on hand, accumulated from prior years, that were available for use if short-term cash flow issues arose. In the event of a delay in the receipt of tax increment in any given year, the Former Agency could (though it was not obligated to) use such other available funds to make payments on the bonds when due. Under the Dissolution Act, the Successor Agency is required to seek prior approval from the Oversight Board (and, therefore, the DOF because most Oversight Board actions are subject to DOF’s review) in order to pay an enforceable obligation from a source of funds that is different from the one identified on the ROPS. As the result of procedures already completed under the Dissolution Act, such as the due diligence reviews (see “SUCCESSOR AGENCY – Due Diligence Reviews”), the Successor Agency virtually has no alternative resources available to make payment on enforceable obligations, if there is a significant delay with respect to

scheduled RPTTF disbursements or if the amount from RPTTF disbursements is not sufficient for the required payment on the enforceable obligations.

Even though the City has elected to serve as the Successor Agency, the Dissolution Act expressly clarifies that the City and the Successor Agency are separate public entities. The liabilities of the Former Agency are not transferred to the City by virtue of the City's election to serve as the Successor Agency. The liabilities of the Successor Agency are not the liabilities of the City.

In any event, the pledge for the 2017 Bonds is limited to the property tax revenues of the Project Area allocated to the Successor Agency's RPTTF and certain funds created under the Indenture, as provided in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS." No other funds are liable for the 2017 Bonds.

Recognized Obligation Payment Schedules

As discussed under "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS – Recognized Obligation Payment Schedules," the Successor Agency is required to prepare and submit the ROPS at the prescribed times to the Oversight Sight Board and the DOF for review. The County Auditor-Controller is authorized to only distribute moneys to the Successor Agency from the RPTTF in accordance with a ROPS approved by the DOF. The Successor Agency is authorized to use funds only pursuant to an enforceable obligation listed on a ROPS approved by the Oversight Board and the DOF. See "AUTHORIZATION AND VALIDITY OF 2017 BONDS UNDER DISSOLUTION ACT" regarding limitations pursuant Health and Safety Code Section 34177.5(f) with respect to the DOF's review of scheduled payments for the 2017 Bonds included in future ROPS.

The Dissolution Act provides the ROPS must be submitted to the DOF at the times prescribed by the Dissolution Act. If the Successor Agency fails to submit to the DOF an Oversight Board-approved ROPS within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, the DOF may determine if the County Auditor-Controller should withhold any RPTTF amount for payments for enforceable obligations from distribution to taxing entities, pending DOF's approval of the ROPS. If the Successor Agency indeed fails to submit to the DOF an Oversight Board-approved ROPS within five business days of the date upon which the ROPS is to be used to determine the amount of property tax allocations, and the DOF does not provide notice to the County Auditor-Controller to withhold funds, it is unclear whether the County Auditor-Controller will disburse all of the funds then in the RPTTF to the taxing agencies pursuant to the Dissolution Act provisions relating to RPTTF Residual. The Dissolution Act provides very limited authority to the County Auditor-Controller to withhold RPTTF funds from disbursements to taxing agencies.

The Successor Agency has covenanted in the Indenture to include debt service for the Outstanding 2017 Bonds on the appropriate ROPS, so as to enable the County Auditor-Controller to include, as part of the RPTTF disbursements to the Successor Agency, the amount of Tax Revenues necessary to pay debt service for the Outstanding 2017 Bonds.

Future Implementation of Dissolution Act

The Successor Agency's timely receipt of RPTTF disbursements to pay enforceable obligations, including the 2017 Bonds, is dependent upon the coordination with, and the implementation of, the Dissolution Act procedures by the DOF and the County Auditor-Controller. While each of the Successor Agency, the DOF, the County Auditor-Controller, and other affected parties coordinate to implement and fulfill the requirements of the Dissolution Act, the Successor Agency cannot give any assurances that future interpretation of specific provisions of the Dissolution Act or their implementation will not affect the timing and amount of RPTTF disbursements to the Successor Agency.

Numerous lawsuits have been filed pertaining to the DOF's implementation of various provisions of the Dissolution Act. Some are still pending. A lawsuit (the "Syncora Lawsuit") was filed by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, "Syncora") on August 12, 2012, with the Superior Court of California in the County of Sacramento, *Case No. 34-2012-80001215*. Syncora is the municipal bond insurer for a number of bond insurance policies for outstanding bonds issued by former California redevelopment agencies. Syncora alleged that the Dissolution Act, and specifically the "Redistribution Provisions" (including California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the "contract clauses" of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the "Takings Clauses" of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because such provisions unconstitutionally take and appropriate bondholders' and Syncora's contractual right to critical security mechanisms without just compensation. The Syncora Lawsuit was brought as a petition for writ of mandate and complaint for declaratory relief, inverse condemnation and injunctive relief. On May 29, 2013, the Court entered a ruling. The Court (1) denied Syncora any form of relief requested in the Complaint and Petition on its impairment of contracts claims, on the ground that those claims were premature, as no evidence was submitted by Syncora that any redevelopment agency bonds it insures are in default or that any redevelopment agency bonds are in default at all; and (2) held that Syncora's takings claims are not necessarily premature, that an evidentiary hearing should be conducted to address such claims, and that the parties should file status reports with the Court addressing certain issues in connection with such evidentiary hearing. On August 16, 2013, the parties filed with the Court a proposed stipulated judgment which dismisses Syncora's impairment of contract claims and takings claims without prejudice on grounds of prematurity. The stipulated judgment, as proposed by the parties, was entered on October 3, 2013.

The Successor Agency cannot predict the outcome of any pending or future lawsuit with respect to the interpretation, the implementation or the validity of any provision of the Dissolution Act, including the provisions under which the 2017 Bonds are issued. The Successor Agency believes that the federal and State Constitutions clauses regarding contract impairments and takings provide protection to the bondholders of the 2017 Bonds in the event of any lawsuit concerning provisions affecting the validity and payment on bonds issued under the Dissolution Act. However, the outcome of any such lawsuit is beyond the Successor Agency's control.

State Budget

Two of the key bills that comprise the Dissolution Act, AB X1 26 and AB 1484, were enacted by the State Legislature and signed by the Governor as trailer bills necessary to implement provisions of the State's budget acts for its fiscal years 2011-12 and 2012-13, respectively, with the intention to transfer cash assets held by redevelopment agencies to cities, counties, and special districts to fund core public services and with assets transferred to schools offsetting State general fund costs. Most of the provisions

of SB 107 (containing the most recent significant amendments to the Dissolution Act) were also initially presented as part of AB 113, a trailer bill to the fiscal year 2015-16 State Budget, even though SB 107 was eventually enacted in September 2015, several months after the adoption of the State Budget. There can be no assurance that legislation affecting successor agencies or Tax Revenues will not be enacted to implement provisions in connection with the State budget needs or other reasons in the future.

The Successor Agency expects, but cannot guarantee, that the processes for the funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Tax Revenues in accordance with the Indenture and will effectively result in adequate Tax Revenues for the timely payment of principal of and interest on the 2017 Bonds when due.

Information about the State budget and State spending is available at various State maintained websites. Text of the enacted State Budget for fiscal year 2016-17 and the Governor's proposed State Budget for fiscal year 2017-18 and other documents related to the State budget may be found at the websites maintained by the State Department of Finance, www.dof.ca.gov and <http://www.ebudget.ca.gov/>. A nonpartisan analysis of the budget is posted by the Legislative Analyst's Office at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets may be found at the website of the State Treasurer, www.treasurer.ca.gov.

The full text of each State Assembly bill cited above and other bills pending before the State Senate or State Assembly may be obtained from the "Official California Legislative Information" website maintained by the Legislative Counsel of the State of California pursuant to State law, at the following web link: <http://leginfo.legislature.ca.gov/faces/billSearchClient.xhtml>.

None of the websites or webpages referenced above is in any way incorporated into this Official Statement. They are cited for informational purposes only. The Successor Agency makes no representation whatsoever as to the accuracy or completeness of any of the information on such websites.

Bankruptcy Risks; Enforceability of Remedies

The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds (including Bond Counsel's approving legal opinions) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases. The enforceability of the rights and remedies of the owners of the 2017 Bonds and the obligations of the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2017 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and, consequently, may entail risks of delay, limitation, or modification of their rights.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2017 Bonds, or, if a secondary market exists, that such 2017 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Bond Insurance Policy; Reserve Policy

In the event the Bond Insurer were to become insolvent, any claims arising under the Bond Insurance Policy or the Reserve Policy are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

In the past, rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of municipal bond insurers. Deterioration in the financial condition of the Bond Insurer could occur. The Successor Agency cannot guarantee the Bond Insurer's timely performance of its obligations under the Bond Insurance Policy or the Reserve Surety Bond.

The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer (and thus the insured rating of the 2017 Insured Bonds) will not be subject to downgrade in the future. Any downgrade of the Bond Insurer's rating may adversely affect the market price of the Bonds or the marketability (liquidity) for the 2017 Bonds. See "CONCLUDING INFORMATION – Ratings."

Loss of Tax Exemption of 2017A Bonds

Compliance by Successor Agency. In order to maintain the exclusion of interest on the 2017A Bonds from gross income for federal income tax purposes, the Successor Agency has covenanted to comply with the applicable requirements of Section 148 and certain other sections of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as hedge bonds or private activity bonds, among other things. Interest on the 2017A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 2017A Bonds as a result of acts or omissions of the Successor Agency in violation of these covenants. See "CONCLUDING INFORMATION – Tax Matters."

IRS Audit of Tax-Exempt Bond Issues. The United States Internal Revenue Service has a program to audit bonds issued as tax-exempt obligations by local governmental entities to determine whether the interest on such bonds is includable in gross income for federal income tax purposes. If the IRS undertakes to audit the 2017A Bonds, under current IRS procedures, the IRS will treat the Successor Agency as the taxpayer and the beneficial owners of the 2017A Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the 2017A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the 2017A Bonds.

Future Legislation or Court Decisions. Legislation affecting the tax exemption status of interest on the 2017A Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the 2017A Bonds. No assurance can be given that legislation enacted or proposed, or actions

by a court, after the date of issuance of the 2017A Bonds will not have an adverse effect on the federal tax exemption of interest on the 2017A Bonds and the State tax exemption of interest on the 2017A Bonds and the 2017B Bonds or the market value of the 2017 Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedure

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of creation of the other liens.

Secured property and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes in the case of delinquency: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

A ten percent penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, on or about June 30 of the fiscal year, property on the secured roll on which taxes are delinquent is declared to be in default by operation of law and declaration of the tax collector. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5 percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county tax collector.

The valuation of property is determined as of the January 1 lien date each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Unsecured property taxes become delinquent if not paid by August 31.

A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property upon the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next January 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 16 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies, to the extent that supplemental assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Agency revenues may increase.

In 1990, the State Legislature enacted Senate Bill 2557 (Statutes of 1990, Chapter 466) (“SB 2557”) which allows counties to charge for the cost of assessing, collecting and allocating property tax

revenues to local government jurisdictions on a prorated basis. California courts have upheld the inclusion of redevelopment agencies as a local government agency which must share the cost of property tax administration. The 1992 enactment of Senate Bill 1559 (Chapter 697) and the decision of the California Court of Appeal in *Arcadia Redevelopment Agency v. Ikemoto* have clarified that redevelopment agencies, such as the Former Agency, are to share in the cost of property tax administration charged by most California counties, including the County. The Dissolution Act provides that before disbursement of moneys from the RPTTF to the Successor Agency, the County Auditor-Controller is entitled to make a deduction for the purposes of the County administrative costs under Section 95.3 of the Revenue and Tax Code.

Unitary Property

Assembly Bill 454 (Statutes of 1987, Chapter 921) (“AB 454”) provides the method of reporting and allocating property tax revenues generated from most State-assessed unitary properties (consisting mostly of the properties of public utilities, and inter-county pipelines, flumes, canals, ditches and aqueducts). Under AB 454, the State reports to each county auditor-controller only the county-wide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary property taxes generated by the county-wide unitary value, which are: (i) for revenue generated from the one percent tax rate, each jurisdiction is to receive up to 102 percent of its prior year unitary property tax increment revenue; however, if county-wide revenues generated from unitary properties are greater than 102 percent of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction’s share of secured property taxes; (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction’s annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The provisions of AB 454 apply to all State-assessed property, except railroads and non-unitary properties, the valuation of which will continue to be allocated to individual tax rate areas. AB 454 allows, generally, valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

Effective January 1, 2007, ABX 2670 changed the method of assessing unitary railroad property. Before ABX 2670, the assessed value of unitary railroad property was allocated to individual tax rate areas within a county where the property is located. ABX 2670 has converted this method of assessment for railroad property to the countywide system. The new method involves establishing a single countywide tax rate area within each county to which the assessed value of specified unitary property of a regulated railroad company would be allocated. Revenues derived from the tax on this value are allocated among local entities in the county pursuant to a specified formula. ABX 2670 also requires, with respect to a “qualified facility” as defined in Revenue and Taxation Code Section 100.11, that 80 percent of the value of the facility and the revenues derived from taxing this value be allocated on a countywide basis, while the remaining 20 percent of this value and resulting revenues be allocated exclusively to the local tax rate areas in the county in which the property is located.

Article XIII A of California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the “full cash value” of property to mean “the county

assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in October 1986 by initiative which exempts from the one percent limitation any taxes levied to pay bonded indebtedness approved by two-thirds (55 percent in certain instances) of the votes cast by voters for the acquisition or improvement of real property.

On September 22, 1978, the California Supreme Court upheld Proposition 13 over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*). The Court reserved certain constitutional issues and the validity of legislation implementing the amendment for future determination in proper cases.

In subsequent elections, the voters of the State approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment has reduced local property tax revenues. Other amendments permitted the Legislature to authorize the transfer of a property's assessed value to a replacement property under certain conditions, such as for residences of persons over 55 years old, for residences of severely disabled homeowners and for contaminated property. Other amendments have excluded certain improvements from the definition of "new construction," such as seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies.

Challenges to Article XIII A. California trial and appellate courts have upheld the constitutionality of Article XIII A's assessment rules in three significant cases. The United States Supreme Court, in an appeal to one of these cases, upheld the constitutionality of Article XIII A's tax assessment system. The Successor Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Successor Agency's receipt of Tax Revenues should a future decision hold unconstitutional the method of assessing property.

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

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, two percent annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs, except for certain utility and railroad property assessed by the State Board of Equalization, which is allocated by a different method than the one discussed in this Official Statement.

Article XIII B of California Constitution

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution which has been subsequently amended several times. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The base year for establishing such appropriation limit is fiscal year 1986-87 and the limit is to be adjusted annually to reflect changes in population, cost of living and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California Legislature added Section 33678 to the Health and Safety Code, which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness, will not be deemed the receipt by the redevelopment agency of proceeds of taxes levied by or on behalf of the redevelopment agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof. The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosely* and *Brown v. Community Redevelopment Agency of the City of Santa Ana*, which cases were not accepted for review by the California Supreme Court.

Proposition 87

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment.

Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, with respect to tax rate increases approved on or after January 1, 1989, to repay voter approved general obligation debt, redevelopment agencies no longer receive an increase in tax increment.

Articles XIII C and XIII D of California Constitution

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the State Constitution, imposing certain voter requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIII C of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution. Tax Revenues securing the 2017 Bonds are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and outside of the scope of taxes which are limited by Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Tax Revenues available for allocation to the RPTTF and to the Successor Agency for payment on the 2017 Bonds.

CONCLUDING INFORMATION

Underwriting

The Successor Agency and Stifel, Nicolaus & Company, Incorporated (the "Underwriter") have entered into a bond purchase agreement (the "Purchase Agreement"). Under the Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the 2017A Bonds at a purchase price of \$_____ (which is equal to the principal amount of the 2017A Bonds, [plus/less] net original issue [premium/discount] of \$_____, and less an underwriter's discount of \$_____) and the 2017B Bonds at a purchase price of \$_____ (which is equal to the principal amount of the 2017B Bonds, [plus/less] net original issue [premium/discount] of \$_____, and less an underwriter's discount of \$_____). The Purchase Agreement provides that the Underwriter will purchase all of the 2017 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the Purchase Agreement. The Underwriter intends to offer the 2017 Bonds to the public initially at the prices set forth on the inside cover of this Official Statement, which prices may subsequently change without any requirement of prior notice.

Ratings

S&P Global Ratings ("S&P") has assigned an underlying rating of "___" to the 2017 Bonds without giving effect to the Bond Insurance Policy. In addition, S&P is expected to assign a rating of "___" to the 2017 Insured Bonds conditioned on the issuance by the Bond Insurer of the Bond Insurance Policy at the time of delivery of the 2017 Bonds. See "BOND INSURANCE." S&P's ratings reflect only the views of S&P and any explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward, suspended or withdrawn entirely, if in S&P's judgment, circumstances so warrant. Other than as described in the Continuing Disclosure Certificate, the Successor Agency takes no responsibility regarding either to bring to the attention of the Owners of the 2017 Bonds any revision, suspension or withdrawal of such ratings or to oppose any such revision or withdrawal. Any such downward, suspension, revision or withdrawal of the ratings may have an adverse effect on the market price of the 2017 Bonds.

Absence of Litigation

There is no litigation pending and notice of which has been received by the Successor Agency or, to the Successor Agency's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the 2017 Bonds, to contest the validity of the 2017 Bonds, the Indenture, the Escrow Agreement or any proceedings of the Successor Agency with respect thereto. To the knowledge of the Successor Agency, there are no lawsuits or claims pending against the Successor Agency which will materially impair the Successor Agency's ability to pay principal of and interest on the 2017 Bonds when due.

Municipal Advisor

The Successor Agency has retained NHA Advisors, LLC, San Rafael, California, as municipal advisor (the “Municipal Advisor”) in connection with the issuance of the 2017 Bonds. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other securities public or otherwise.

Certain Legal Matters

All of the legal proceedings in connection with the authorization and issuance of the 2017 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel. Bond Counsel’s final approving opinions with respect to the 2017 Bonds will be substantially in the form set forth in Appendix E of this Official Statement. Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, serves as Disclosure Counsel in connection with the preparation of this Official Statement. Certain legal matters will also be passed upon for the Successor Agency by the City Attorney of the City, acting as General Counsel to the Successor Agency. Certain legal matters will also be passed upon for the Underwriter, by Norton Rose Fulbright US LLP, as Underwriter’s Counsel. Payment of the fee of Underwriter’s Counsel is contingent upon issuance of the 2017 Bonds.

Tax Matters

General. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2017A Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, 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 certain income and earnings. The opinions set forth in this paragraph are subject to the condition that the Successor Agency complies with all requirements of the Internal Revenue Code of 1986 (the “Tax Code”) that must be satisfied subsequent to the issuance of the 2017A Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2017A Bonds. Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the 2017A Bonds, including any federal tax consequences arising with the ownership, sale or disposition of the 2017A Bonds, or the amount, accrual or receipt of interest on the 2017A Bonds.

Interest on the 2017B Bonds is not excluded from gross income for federal income tax purposes.

California Tax Status. In the opinion of Bond Counsel, interest on the 2017A Bonds and the 2017B Bonds is exempt from California personal income taxes.

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

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

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

Form of Bond Counsel Opinions. At the time of issuance of the 2017 Bonds, Bond Counsel expects to deliver a separate opinion for the 2017A Bonds and the 2017B Bonds in substantially the respective forms set forth in Appendix E.

Other Tax Considerations. Owners of the 2017 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017 Bonds other than as expressly described above.

To ensure compliance with the requirements imposed by the Internal Revenue Service, purchasers and Owners of the 2017 Bonds should be aware that any federal income tax advice contained in this Official Statement (including the Appendices hereto) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Tax Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement.

Continuing Disclosure

The Successor Agency has undertaken for the benefit of holders and beneficial owners of the 2017 Bonds to provide certain financial information relating to the Successor Agency and other data relating to the Project Area not later than nine months after the close of each fiscal year (which currently would be by March 31 each year based upon the June 30 end of fiscal year), commencing with the report for the 2016-17 fiscal year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events. The Annual Report and notices will be filed by the Successor Agency or its Dissemination Agent on behalf of the Successor Agency, with the Municipal Securities Rulemaking Board (“MSRB”). The specific nature of the information to be contained in the Annual Report or the notices of events is set forth in “APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” This undertaking has been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

A failure by the Successor Agency to comply with the provisions of the Continuing Disclosure Certificate is not an event of default under the Indenture (although the holders and beneficial owners of the 2017 Bonds do have remedies at law and in equity). However, a failure to comply with the provisions of the Continuing Disclosure Certificate must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2017 Bonds. Therefore, a failure by the Successor Agency to comply with the provisions of the Continuing Disclosure Certificate may adversely affect the marketability of the 2017 Bonds on the secondary market.

Before the printing of this Official Statement, an examination (the “Examination”) of the continuing disclosure filings by the Former Agency and the Successor Agency (as the successor to the Former Agency) during the five year period ending February __, 2017 was conducted. Pursuant to the continuing disclosure agreements executed in connection with the 2006 Bonds and the 2009 Bonds, the Former Agency agreed to file: (a) notices of the occurrence of enumerated events, (b) yearly reports (the “Annual Update Reports”) containing specified tables and certain other information by March 1 after the end of each fiscal year, and (c) annual audited financial statements, by March 1 after the end of each fiscal year or later if the audited financial statements were not available by March 1. Based on the Examination, it was found that: (i) the Annual Update Reports for each of fiscal years 2011-12, 2012-13 and 2013-14 were filed late, as they were all filed on March 1, 2016, (ii) the audited financial statements for each of fiscal years 2011-12, 2012-13 and 2013-14 were filed on February 27, 2016, (iii) the audited financial statements and the Annual Update Reports for fiscal year 2015-16 were filed on a timely basis, (iv) a notice regarding S&P’s November 2010 withdrawal of its rating of the bond insurer of the 2006 Bonds (and therefore affecting the insured rating of the 2006 Bonds) was filed late on March 1, 2016, (v) a notice regarding S&P’s February 2016 upgrade of the underlying rating of the 2006 Bonds was filed a few days late, on March 1, 2016, and (vi) a notice regarding a October 3, 2016 upgrade of the underlying rating of the 2009 Bonds (the “2016 Rating Upgrade”) had not been filed. Subsequent to the Examination, a notice regarding the 2016 Rating Upgrade was posted. The Successor Agency also posted the Annual Update Reports and the Audited Financial Statements for fiscal year 2016-17 on a timely basis, before the printing of this Official Statement.

The Successor Agency has taken steps to ensure future compliance with its continuing disclosure obligations in a timely manner. The Successor Agency has engaged NBS Government Finance Group *dba* NBS, to act as Dissemination Agent under the Continuing Disclosure Certificate relating to the 2017 Bonds. The Successor Agency has adopted of a set of bond-related disclosure policy and procedures.

Miscellaneous

All summaries of the Dissolution Act, the Redevelopment Law, Indenture, the Redevelopment Plan and other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2017 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement have been duly authorized by the Successor Agency.

**SUCCESSOR AGENCY TO THE
SCOTTS VALLEY REDEVELOPMENT AGENCY**

By: _____
Executive Director

APPENDIX A

CITY OF SCOTTS VALLEY GENERAL INFORMATION

The following information concerning the City of Scotts Valley (the “City”) and surrounding areas is included for informational purposes only. The information set forth in this Appendix has been obtained from sources that the City believes is reliable, but does not guarantee as to the accuracy or completeness. The 2017 Bonds are special obligations of the Successor Agency payable from Tax Revenues pursuant to the Indenture. The 2017 Bonds are not a debt of the City, the State of California or any of its political subdivisions (other than the Successor Agency).

General

The City is located in Santa Cruz County (the “County”), six miles north of Santa Cruz and 26 miles southwest of San Jose. The City was incorporated on August 2, 1966, and is approximately 5 square miles in size. The City is located in Santa Cruz County, California, six miles north of the City of Santa Cruz, 30 miles southwest of San Jose and 68 miles south of San Francisco. In close proximity to “Silicon Valley,” significant portions of the City’s population work in the high technology industry.

The City’s climate is characteristic of mountainous coastal terrain. Summers are mild with occasional cool, foggy early mornings and winter temperatures range in the 30’s to the 60’s.

The Scotts Valley Unified School District provides public education from kindergarten to and including high school levels with two elementary schools, one middle school and one high school. There is one private school within the City limits. Cabrillo Community College, a public community college, is located in the nearby community of Aptos. The University of California has a campus located in Santa Cruz.

Pacific Gas and Electric provides electric and gas services for the City and AT&T provides telephone services. The Scotts Valley Water District provides water services to most of the residents of the City.

The City is served by the Santa Cruz County Metropolitan Transit District for bus services and by Iowa Pacific Holdings, doing business locally as the Santa Cruz and Monterey Bay Railway, for freight services. Municipal and international airports are located in San Jose, Monterey, Oakland, San Francisco and Watsonville.

The City is a general law city operating under the council-manager form of government. The City Council is composed of five members elected biennially at-large to four-year overlapping terms. The Mayor is selected annually by the City Council members to serve a one-year term. The City Manager is appointed by the City Council to supervise the day-to-day operations of the City.

Population

The following table shows the estimated population growth for the City, the County and the State of California for the years shown.

City of Scotts Valley City, County and State Population Growth⁽¹⁾ Calendar Years 2012-2016

Calendar Year	City of Scotts Valley	% Change from Prior Period	Santa Cruz County	% Change from Prior Period	State of California	% Change from Prior Period
2012	11,678	0.53%	266,918	0.81%	37,881,357	0.92%
2013	11,770	0.79	269,016	0.79	38,239,207	0.94
2014	11,907	1.16	270,890	0.70	38,567,459	0.86
2015	12,073	1.39	273,594	1.00	38,907,642	0.88
2016	12,143	0.58	275,902	0.84	39,255,883	0.90

(1) As of January 1 of each year, with 2010 census benchmark.

Source: State of California Department of Finance.

City's Taxable Valuation

The following is a table showing the City's taxable valuation for the fiscal years shown. These figures are presented for historical comparison, with reference only to the time frame of the years shown.

City of Scotts Valley Assessed Values of All Taxable Property⁽¹⁾ Fiscal Years 2012-13 through 2016-17

Fiscal Year	Residential Property ⁽¹⁾	Commercial and Other Property	Total Assessed Value	Percent Change of Total AV
2012-13	\$1,414,040,184	\$598,441,394	\$2,012,481,578	-2.12%
2013-14	1,483,067,171	564,469,568	2,047,536,739	1.74
2014-15	1,627,120,418	571,942,811	2,199,063,229	7.40
2015-16	1,753,326,658	601,424,458	2,354,751,116	7.08
2016-17	1,874,959,623	624,091,185	2,499,050,808	6.13

(1) After deduction for homeowner exemption.

Source: City of Scotts Valley, based on information provided by the Santa Cruz County.

Construction Activity

The following table shows the number of construction permits issued in the City and the related values during the years shown below.

**City of Scotts Valley
Construction Permits
Fiscal Years 2011-12 through 2015-16**

<u>Fiscal Year</u>	<u>Permits Issued</u>	<u>Total Valuation</u>
2011-12	263	\$14,012,196
2012-13	285	16,344,560
2013-14	330	29,840,594
2014-15	384	14,702,672
2015-16	364	32,029,550

Source: City of Scotts Valley

Employment

According to the State of California Employment Development Department, the December 2016 preliminary, estimated unemployment rates for the City, the County and the State were 6.8 percent, 7.5 percent and 5.2 percent, respectively. The following table shows certain employment statistics for the City and the County for calendar years 2011 through 2015.

**City of Scotts Valley
City, County and State Employment Statistics
Calendar Years 2011 through 2015⁽¹⁾**

<u>Year</u>	<u>City</u>			<u>County</u>	<u>State</u>
	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2011	6,300	5,600	11.9%	13.1%	11.7%
2012	6,300	5,700	10.8	11.8	10.4
2013	6,300	5,700	9.4	10.3	8.9
2014	6,400	5,900	8.0	8.7	7.5
2015	6,400	6,000	6.8	7.5	6.2

(1) Not seasonally adjusted. March 2015 benchmark.

Source: State of California, Employment Development Department.

The following table summarizes the civilian labor force in the County for the years shown. This table shows County-wide statistics and may not accurately reflect employment trends in the City.

**County of Santa Cruz
Annual Average Employment by Industry⁽¹⁾
Calendar Years 2011 through 2015**

Industry	2011	2012	2013	2014	2015
Private, non-farm					
<i>Goods producing:</i>					
Natural Resources, mining, construction	2,900	3,000	3,200	3,400	3,600
Manufacturing – durable goods	2,900	3,100	3,200	3,300	3,500
Manufacturing – non-durable goods	2,500	2,600	2,800	2,900	3,100
<i>Service Providing:</i>					
Trade, transportation and utilities	16,100	16,200	16,400	16,600	16,800
Information	900	800	800	800	800
Financial activities	3,100	3,200	3,400	3,500	3,600
Professional and business services	9,500	9,700	9,700	9,500	9,800
Educational and health services	15,400	15,800	16,500	16,900	17,200
Leisure and hospitality	11,100	11,600	12,200	12,900	13,700
Other services	3,600	3,800	4,100	4,300	4,600
Subtotal⁽³⁾	<u>68,000</u>	<u>69,700</u>	<u>72,300</u>	<u>74,100</u>	<u>76,700</u>
Government	20,300	20,400	20,600	21,100	21,400
Farm	8,600	8,400	8,300	8,300	8,400
Total⁽³⁾	<u>96,900</u>	<u>98,600</u>	<u>101,200</u>	<u>103,500</u>	<u>106,500</u>

(1) Employment reported by place of work; does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Based on March 2015 benchmark. Not seasonally adjusted.

(2) Subtotals and totals may not add due to independent rounding.

Source: State of California, Employment Development Department.

The top employers (by number of employees) located within the City are shown in the following table:

**City of Scotts Valley
Largest Employers
As of June 2016**

Name of Employer	Activity	No. of Employees
Threshold Enterprise, LTD	Health products/wholesale & manufacturing	621
Central Coast Alliance	Health services	325
Fox Racing Shox	Automobile/biking racing equipment and gear	276
Bay Photo Lab	Photography	201
Seagate Technology	Computer technology	184
Bell Sports, Inc.	Sporting goods/wholesale	166
Universal Audio, Inc.	Design sound equipment	133
Zero Motorcycles	Electric motorcycles	98
The Camp	Health facility	77
Oak Tree Villa SHP	Retirement and life care community home	73

Source: City of Scotts Valley.

Median Household Income

The following table shows the median household income for the City, County, the State and the United States for the years shown.

City of Scotts Valley, Santa Cruz County, California and the United States Median Household Income⁽¹⁾⁽²⁾ Calendar Years 2011 through 2015

Year	City	County	State	U.S.
2011	99,076	66,030	\$61,632	\$52,762
2012	103,769	66,571	61,400	53,046
2013	101,837	66,519	61,094	53,046
2014	102,927	66,923	61,489	53,482
2015	101,475	67,256	61,818	53,889

(1) Per capita personal income is total personal income divided by total midyear population.

(2) In current dollars, not adjusted for inflation.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, as of November 2016.

Commercial Activity

The following table summarizes the annual volume of taxable transactions within the City for calendar years shown.

City of Scotts Valley Taxable Sales Calendar Years 2010 through 2014

Year	Retail and food services		Total outlets	
	Permits	Taxable Transactions	Permits	Taxable Transactions
2011	334	\$138,611,000	525	\$169,272,000
2012	348	137,576,000	530	167,876,000
2013	364	139,079,000	542	176,950,000
2014	385	140,650,000	573	182,443,000
2015	N/A	142,233,000	N/A	194,221,000

Source: Compiled from data published by State of California Board of Equalization.

APPENDIX B
FISCAL CONSULTANT REPORT

APPENDIX C

**CITY OF SCOTTS VALLEY COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR ENDED JUNE 30, 2016**

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF INDENTURE

APPENDIX E

FORM OF BOND COUNSEL OPINIONS

Upon issuance and delivery of the 2017A Bonds, Bond Counsel proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Upon issuance and delivery of the 2017B Bonds, Bond Counsel proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

APPENDIX G

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency does not take any responsibility for the accuracy thereof. The Successor Agency gives no assurances that (i) DTC, the Direct and Indirect Participants or others will distribute payments of principal, premium (if any) or interest with respect to the 2017 Bonds paid to DTC or its nominee as the registered owner, to the Beneficial Owners, (ii) such entities will distribute redemption notices or other notices, to the Beneficial Owners, or (iii) an error or delay relating thereto will not occur.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2017 Bonds. The 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMD Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Series A

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Taxable Series B

Bond Purchase Contract

_____, 2017

Successor Agency of the Scotts Valley Redevelopment Agency
One Civic Center Drive
Scotts Valley, California 95066

Ladies and Gentlemen:

The undersigned, Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), hereby offers to enter into the following agreement (this “Purchase Contract”) with the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”). Upon the acceptance hereof by you, this offer will be binding upon the Agency and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice delivered to you at any time prior to the acceptance hereof by you.

The Agency acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Purchase Contract is an arm’s-length commercial transaction between the Agency and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the Agency, (ii) in connection with such transaction the Underwriter is not acting as a municipal advisor (within the meaning of Section 15B of The Securities Exchange Act of 1934, as amended), financial advisor or fiduciary to the Agency or any other person or entity and has not assumed a fiduciary responsibility in favor of the Agency with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Agency on other matters), (iii) the only obligations the Underwriter has to the Agency with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract, (iv) the Underwriter has financial and other interest that differ from those of the Agency and (v) the Agency has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds.

Section 1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Agency at the Closing Time on the Closing Date (both as defined herein), all and not less than all, of the aggregate principal amount of (a) the Agency’s \$ _____ initial aggregate principal amount 2017 Tax Allocation Refunding Bonds, Series A (the “2017A

Bonds”), and (b) the Agency’s \$_____ initial aggregate principal amount 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds,” and together with the 2017A Bonds, the “Bonds”). The Bonds shall be dated the Closing Date, shall mature on the dates, shall bear interest at the rates per annum, and shall be subject to redemption as shown on Exhibit A hereto. Interest on the Bonds shall be payable on February 1 and August 1 of each year, commencing August 1, 2017. The price at which the Underwriter is to purchase the 2017A Bonds shall be \$_____ in immediately available funds (being the aggregate principal amount thereof, plus/less original issue premium/discount of \$_____, and less an Underwriter’s discount of \$_____). The price at which the Underwriter is to purchase the 2017B Bonds shall be \$_____ in immediately available funds (being the aggregate principal amount thereof, plus/less original issue premium/discount of \$_____, and less an Underwriter’s discount of \$_____). (The date of such payment and delivery is referred to herein as the “Closing Date,” the hour and date of such delivery and payment is referred to herein as the “Closing Time,” and the other actions contemplated hereby to take place at the time of such payment and delivery are sometimes referred to herein as the “Closing”).

Section 2. The Bonds. The 2017A Bonds will be authorized and issued pursuant to an Indenture of Trust, dated as of _____ 1, 2017 (the “Master Indenture”), by and between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2017B Bonds will be authorized and issued pursuant to the Master Indenture, as supplemented by a First Supplement to Indenture of Trust, dated as of _____ 1, 2017 (the “First Supplement,” and together with the Master Indenture, the “Indenture”), by and between the Agency and the Trustee). The Indenture was approved by Resolution No. SA-36 adopted by the Agency on November 2, 2016 (the “Resolution”), and by Resolution No. OB-33 adopted by the Oversight Board for the Agency on November 3, 2016 (the “Oversight Board Resolution”), and in accordance with Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”), Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended, including on June 27, 2012 by Assembly Bill No. 1484, enacted as Chapter 26, Statutes of 2012, and as further amended on September 22, 2015 by Senate Bill 107, enacted as Chapter 325, Statutes of 2015 (collectively, the “Dissolution Act”), and the Constitution and other applicable laws of the State of California (the “State”).

The Bonds are being issued to (i) refund and defease certain prior obligations (the “Prior Obligations”) of the Scotts Valley Redevelopment Agency (the “Prior Agency”), (ii) make a deposit into a debt service reserve account/purchase a municipal bond debt service reserve insurance policy (the “Reserve Policy”), and (iii) pay certain costs relating to the issuance of the Bonds.

The Bonds shall be special obligations of the Agency payable from, and secured by a pledge of, the Tax Revenues (as defined in the Indenture). The Bonds shall be payable and shall be subject to redemption as provided in the Indenture and shall be as described in the Preliminary Official Statement of the Agency dated _____, 2017 (the “Preliminary Official Statement”) and the Official Statement of the Agency dated of even date herewith. Such Preliminary Official Statement, including the cover page, the inside cover and the appendices thereto, relating to the Bonds, as amended to include the terms of this Purchase Contract with respect to pricing and interest rates and with such changes and amendments thereto as have been

mutually agreed to by the Agency and the Underwriter, is hereinafter referred to as the “Official Statement.”

The Agency will undertake pursuant to the Indenture and a Continuing Disclosure Certificate, dated the Closing Date (the “Continuing Disclosure Certificate”), by and between the Agency and NBS Government Finance Group *dba* NBS as dissemination agent, to provide certain annual information and notices of the occurrence of certain events, if material. A description of the undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement (as defined below).

Concurrently with the issuance of the Bonds, the Agency will enter into an Escrow Agreement, dated as of _____ 1, 2017 (the “Escrow Agreement”) with The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”).

The Indenture, the Escrow Agreement, the Continuing Disclosure Certificate, and this Purchase Contract are collectively referred to herein as the “Legal Documents.”

Section 3. Offering by the Underwriter. It shall be a condition to the Agency’s obligations to sell and to deliver the Bonds to the Underwriter, and to the Underwriter’s obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Agency to the Underwriter, and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers and special purchasers) at the yield as set forth in Exhibit A hereto and on the inside cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers and special purchasers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof. The Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice. The Underwriter hereby represents that it has the full right, power and authority to enter into this Purchase Contract.

Section 4. Official Statement, Delivery of Other Documents, Use of Documents.

(a) The Agency hereby authorizes the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments thereto), the Indenture and the Continuing Disclosure Certificate and the information therein contained, in connection with the public offering and sale of the Bonds. The Preliminary Official Statement is deemed final by the Agency as of its date and as of the date hereof, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(1) of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934 (“Rule 15c2-12”). The Agency has delivered to the Underwriter a certification to such effect in the form attached hereto as Exhibit E.

(b) The Agency shall deliver to the Underwriter, within seven (7) business days from the date hereof, such number of copies (including in electronic form) of the final Official Statement executed on behalf of and approved for distribution by the Agency as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board (the “MSRB”) and paragraph (b)(4) of Rule 15c2-12.

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to a nationally recognized municipal securities information repository.

Section 5. Representations, Warranties and Agreements of the Agency. The Agency represents, warrants and agrees as follows:

(a) The Agency is a public entity, duly organized and existing under the Constitution and laws of the State of California, including the Dissolution Act.

(b) The Agency has full legal right, power and authority (i) to enter into, execute and deliver the Legal Documents and to execute and deliver the Official Statement; (ii) to sell, issue and deliver the Bonds to the Underwriter under the Dissolution Act and the Refunding Law, as provided in this Purchase Contract; and (iii) to carry out and consummate the transactions on its part contemplated by the Legal Documents.

(c) By all necessary official action, the Agency has duly authorized and approved the Legal Documents and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations in connection with the issuance of the Bonds on its part contained in the Indenture and this Purchase Contract, and the consummation by it of all other transactions contemplated by the Legal Documents in connection with the issuance of the Bonds.

(d) As of the date hereof, to the best of its knowledge, the Agency is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Indenture) or other instrument to which the Agency is a party which breach or default has or may have a materially adverse effect on the ability of the Agency to perform its obligations under the Legal Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the Legal Documents and the Official Statement, and compliance with the provisions on the Agency’s part contained in the Legal Documents, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Agency is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Agency or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Indenture.

(e) To the best of the Agency's knowledge, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Agency of its obligations under the Legal Documents or in connection with the issuance of the Bonds as contemplated in this Purchase Contract or the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds.

(f) The Indenture, the Continuing Disclosure Certificate, the Escrow Agreement, and the Bonds when issued, will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "2017 BONDS," "PLAN OF REFUNDING," "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS," "CONCLUDING INFORMATION – Continuing Disclosure," "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF INDENTURE" and "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Indenture will be validly issued and outstanding obligations of the Agency, entitled to the benefits of the Indenture, and upon such issuance and delivery, the Indenture will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest they purport to create.

(h) Except as disclosed in the Official Statement, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Agency, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Agency executing this Purchase Contract, threatened against the Agency, affecting the existence of the Agency or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Tax Revenues or any other monies pledged to the payment of the Bonds pursuant to the Indenture, or contesting or affecting as to the Agency the validity or enforceability of the Dissolution Act, the Bonds, or the Legal Documents or contesting the federal tax-exempt status of interest on the 2017A Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Agency for the issuance of the Bonds, or the execution and delivery or adoption by the Agency of the Legal Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or challenging the rights of the Agency to receive Tax Revenues pledged to the payment of the Bonds; nor, to the best knowledge of the Agency, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Dissolution Act or the Refunding Law, the issuance of the Bonds, or the authorization, execution, delivery or performance by the Agency of the Bonds or the Legal Documents.

(i) The Scotts Valley Redevelopment Project (the “Project Area”) conforms to the descriptions thereof contained in the Official Statement under the captions “INTRODUCTION” and “PROJECT AREA.”

(j) The Agency will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Agency shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, and provided, further, that the Underwriter shall bear all costs in connection with the Agency’s action under (i) and (ii) herein, and (iii) assure or maintain the federal tax-exempt status of the interest on the 2017A Bonds.

(k) As of the time of acceptance hereof and as of the Closing Date, the Agency does not and will not have outstanding any indebtedness (and other than as disclosed in the Official Statement), which indebtedness is secured by a lien on the Tax Revenues of the Agency superior to or on a parity with the lien of the Indenture on the Tax Revenues.

(l) As of the date of the Preliminary Official Statement, the descriptions in the Preliminary Official Statement pertaining to the Agency, the Project Area, the Bonds, and the Legal Documents do not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(m) At the time of the Agency’s acceptance hereof, and (unless an event occurs of the nature described in paragraph (o) of this Section 5) at all times subsequent thereto up to and including the Closing Date, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(n) If the Official Statement is supplemented or amended pursuant to paragraph (o) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the Closing Date, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(o) If between the date of this Purchase Contract and that date which is twenty-five (25) days after the end of the underwriting period (as determined in accordance with Section 13 hereof) any event known to the Agency shall occur affecting the Agency which might adversely affect the marketability of the Bonds or the market prices thereof, or which might

cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Agency will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(p) The Agency will refrain from taking any action, or permitting any action to be taken, with regard to which the Agency may exercise control, that results in the loss of the federal tax-exempt status of the interest on the 2017A Bonds.

(q) Any certificate signed by any officer of the Agency and delivered to the Underwriter pursuant to the Legal Documents or any document contemplated thereby shall be deemed a representation and warranty by the Agency to the Underwriter as to the statements made therein.

(r) The Agency will cause the proceeds from the sale of the Bonds to be used for the purposes specified in the Indenture and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Indenture, the Agency will not issue or sell any bonds or other obligations, other than the Bonds sold hereby, the interest on and premium, if any, or principal of which will be payable from the payments to be made under the Indenture.

(s) The Agency shall honor all other covenants on its part contained in the Indenture.

(t) At or prior to the Closing, the Agency shall have duly authorized, executed and delivered the Continuing Disclosure Certificate which complies with the provisions of paragraph (b)(5) of Rule 15c2-12 and which shall be substantially in the form presented as Appendix F to the Official Statement.

(u) The Agency has received a “finding of completion” issued by the State Department of Finance pursuant to Health and Safety Code Section 34179.7.

Section 6. Closing. At 8:00 a.m., California time, on _____, 2017, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the Agency and the Underwriter, the Agency will deliver, or the Agency will cause the Trustee to deliver on behalf of the Agency, to or at the direction of the Underwriter, the Bonds, in definitive form duly executed by the Agency, subject to the terms and conditions hereof and together with the other documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”), in San Francisco, California or another place to be mutually agreed upon by the Agency and the Underwriter. The Underwriter will accept such delivery and will pay the purchase price of the Bonds as set forth in Section 1 hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. The

Bonds shall be prepared in book-entry form and registered in the name of Cede & Co. at the direction of the Underwriter.

Section 7. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the Agency contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Agency of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Agency of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Agency contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date;

(b) At the Closing Time, the Legal Documents shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the Closing Time, all necessary official action of the Agency and of the other parties thereto relating to the Legal Documents shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Agency, the Bonds, or the Project Area, as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by a designated officer of the Agency;

(2) A copy of the Indenture and the Escrow Agreement, executed by the Agency and the Trustee or Escrow Bank, as applicable;

(3) A certificate, dated the Closing Date, signed by a duly authorized official of the Agency satisfactory in form and substance to the Underwriter to the effect that (i) the representations and warranties of the Agency contained herein and in the Legal Documents are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date; (ii) the Agency has complied with all of the terms and conditions of this Purchase Contract required to be complied with by the Agency at or prior to the Closing Date; (iii) no event

affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iv) no further consent is required to be obtained for the inclusion of the City of Scotts Valley Comprehensive Annual Financial Report, including the accompanying accountant's letter, for Fiscal Year 2015-16 in the Official Statement;

(4) Opinions dated the Closing Date and addressed to the Agency, of Bond Counsel, in substantially the forms included as Appendix E to the Official Statement, with respect to each of the 2017A Bonds and the 2017B Bonds, accompanied by a reliance letter from Bond Counsel to the effect that such opinions may be relied upon by the Trustee, the Underwriter, and the Insurer (as defined in this Purchase Contract) with the same effect as if such opinions were addressed to them (which reliance letter may be incorporated in the supplemental opinion to be delivered pursuant Item (5) below);

(5) A supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Agency, the Underwriter, and the Insurer, in substantially the form attached hereto as Exhibit B;

(6) A defeasance opinion of Bond Counsel, dated the Closing Date, to the effect that the lien of the Prior Obligations with respect to the tax increment revenues has been discharged;

(7) An opinion, dated the Closing Date and addressed to the Agency and the Underwriter, of Richards, Watson & Gershon, A professional Corporation, as Disclosure Counsel, in substantially the form attached hereto as Exhibit C;

(8) An opinion, dated the Closing Date and addressed to the Underwriter and the Insurer, of the General Counsel to the Agency, substantially in the form attached hereto as Exhibit D;

(9) A certificate of the Secretary of the Agency, dated the date of Closing and in form and substance satisfactory to the Underwriter, to the effect that each of the Resolution and resolution approving the Preliminary Official Statement, adopted on March 15, 2017, has been duly adopted by the Agency, has not been amended or supplemented, and remains in full force and effect;

(10) A certified copy of the Oversight Board Resolution;

(11) An opinion, dated the Closing Date and addressed to the Agency, the Underwriter and the Insurer, of the Counsel to the Trustee and the Escrow Agent, substantially in the form attached hereto as Exhibit F;

(12) A copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Bonds and the Indenture and the Escrow Agreement;

(13) A certificate of the Trustee, in form and substance satisfactory to the Agency and the Underwriter, dated the Closing Date, that as of the Closing Date:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture;

(ii) The Trustee is duly authorized to enter into the Indenture and to authenticate and deliver the Bonds;

(iii) The Trustee has on the Closing Date authenticated and delivered the Bonds and executed and delivered the Indenture;

(iv) To the best of the knowledge of the Trustee, the execution and delivery by the Trustee of the Indenture, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(v) To the knowledge of the officer of the Trustee signing the certificate, there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Bonds, the Indenture;

(14) A certificate of the Escrow Bank, in form and substance satisfactory to the Agency and the Underwriter, dated the Closing Date, that as of the Closing Date:

(i) The Escrow Bank is duly organized and existing as a national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Escrow Agreement;

(ii) The Escrow Bank is duly authorized to enter into the Escrow Agreement;

(iii) The Escrow Bank has on the Closing Date executed and delivered the Escrow Agreement;

(iv) To the best of the knowledge of the Escrow Bank, the execution and delivery by the Escrow Bank of the Escrow Agreement, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Escrow Bank is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Escrow Bank or any of its activities or properties, or (except with respect to the respective liens of the Escrow Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Escrow Bank; and

(v) To the knowledge of the officer of the Escrow Bank signing the certificate, there is no litigation pending or threatened against or affecting the Escrow Bank to restrain or enjoin the Escrow Bank's participation in, or in any way contesting the powers of the Escrow Bank with respect to the transactions contemplated by the Escrow Agreement;

(15) An executed copy of the Continuing Disclosure Certificate, substantially in the form presented as Appendix F to the Official Statement;

(16) A certificate of Fraser & Associates, Roseville, California ("Fiscal Consultant"), in form and substance satisfactory to the Agency and the Underwriter, dated the Closing Date, to the effect that:

(i) In connection with the issuance of the Bonds, Fiscal Consultant has provided the Agency with a Fiscal Consultant Report (the "Fiscal Consultant Report") with respect to the Tax Revenues and with certain historical assessed valuation, tax increment and appeal data and projections and other fiscal information provided by Fiscal Consultant and contained in the Official Statement ("Tax Revenues Data and Projections"), including without limitation statements and tables attributed to Fiscal Consultant under the captions "PROJECT AREA" and "TAX REVENUES AND DEBT SERVICE COVERAGE." Fiscal Consultant has obtained such information from the County of Santa Cruz and other sources as Fiscal Consultant deemed necessary and relevant to generate the Fiscal Consultant Report and to express an informed opinion with respect to the matters discussed in such Fiscal Consultant Report;

(ii) Fiscal Consultant affirms its consent to the inclusion of such Tax Revenues Data and Projections in the Official Statement and the reproduction of the Fiscal Consultant Report in the appendices of the Official Statement. The Fiscal Consultant Report and the Tax Revenues Data and Projections were fairly and accurately presented in the Official Statement, as of its dated date, and the Agency may rely on the same;

(iii) Fiscal Consultant has reviewed the Official Statement relating to the Bonds, and nothing has come to Fiscal Consultant's attention which would cause Fiscal Consultant to believe that any of the information in the Official Statement that is attributable to Fiscal Consultant or the Fiscal Consultant Report, as of the date of the Official Statement, was inaccurate in any material respect;

(17) The municipal bond insurance policy insuring the payment of principal and interest with respect to certain of the Bonds (the "Insurance Policy"), issued by _____ (the "Insurer");

(18) The Reserve Policy issued by the Insurer;

(19) An opinion of counsel to the Insurer, dated the date of Closing, addressed to the Agency, the Trustee and the Underwriter, regarding the Insurer's valid existence, power and authority, the Insurer's due authorization and issuance of the Insurance Policy and the Reserve Policy and the enforceability of the Insurance Policy and the Reserve Policy against the Insurer;

(20) A certificate of the Insurer or an opinion of counsel to the Bond Insurer, dated the date of Closing, regarding the accuracy of the information in the Official Statement describing the Insurer, the Insurance Policy, and the Reserve Policy;

(21) A copy of the letter from the State Department of Finance approving the Oversight Board Resolution approving the issuance of the Bonds;

(22) The report required by the Escrow Agreement of Causey Demgen & Moore P.C., as Verification Agent, with respect to defeasance of the Prior Obligations;

(23) Tax Certificate as to arbitrage with respect to the 2017A Bonds, executed by the Agency;

(24) Evidence of the ratings on the Bonds;

(25) A signature and incumbency certificate of the Agency, dated the Closing Date and signed by an authorized officer of the Agency;

(26) A copy of the notices required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855(g) of the California Government Code;

(27) A copy of the Blanket Issuer Letter of Representation to DTC signed by the Agency; and

(28) Such additional legal opinions, certificates, instruments and other documents as Bond Counsel or the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the Agency's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Agency on or prior to the Closing Date of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel and the Underwriter. The opinions and certificates presented as Exhibits hereto or as Appendices to the Official Statement shall be deemed satisfactory provided they are substantially in the forms of such exhibits or appendices.

If the Agency shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Contract, or if the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Agency shall be under any further obligation hereunder.

Section 8. Termination. The Underwriter shall have the right to terminate the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the Agency, in writing, of their election to do so, if, after the execution hereof and prior to the Closing:

(a) The United States has become engaged in new hostilities (or an escalation of hostilities) which have resulted in a declaration of war or a national emergency affecting the normal operation of the government of, or in the financial community in, the United States of America in a manner that makes it impracticable for the Underwriter, in its reasonable opinion, to market the Bonds or enforce the contracts for sale of the Bonds;

(b) There shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California;

(c) An event shall have occurred or been discovered as described in paragraph (o) of Section 5 hereof which, in the reasonable opinion of the Underwriter, requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement, and (i) the Agency refuses to prepare and furnish such disclosure material, or supplement or amendment to the Official Statement, or (ii) in the reasonable judgment of the

Underwriter, the occurrence or discovery of such event materially and adversely affect the marketability of the Bonds or render the enforcement of contracts for sale of the Bonds impracticable;

(d) Any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds;

(e) Legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of the Bonds or obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement;

(f) Additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds;

(g) The New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker dealers;

(h) Trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Bonds;

(i) The withdrawal or downgrading of any rating of the Bonds or other obligations of the Agency by a national rating agency which has materially adversely affected, in the reasonable judgment of the Underwriter, the marketability of the Bonds or the market prices thereof;

(j) Any decision of any federal or State of California court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service, or other federal or State of California authority materially adversely affecting the federal or State of California tax status of the 2017A

Bonds or the interest on bonds or notes or obligations of the general character of the 2017A Bonds; or

(k) Any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market, rendering the marketing and sale of the Bonds, or enforcement of sale contracts with respect thereto impracticable.

If this Purchase Contract shall be terminated pursuant to Section 7 or this Section 8 or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Agency to comply with any of the terms or to fulfill any of the conditions of this Purchase Contract, or if for any reason the Agency shall be unable to perform all of its respective obligations under this Purchase Contract, the Agency shall not be liable to the Underwriter for damages alleged as loss of anticipated profits arising out of the transactions covered by this Purchase Contract.

Section 9. Payment of Costs and Expenses.

(a) Subject to Sections 5(j) and 9(b), the Agency shall pay, or reimburse to the Underwriter, all approved costs and expenses incident to the sale and delivery of the Bonds, including, but not limited to: (i) the fees and expenses of the Agency and its Counsel; (ii) the fees and expenses of Bond Counsel and Disclosure Counsel; (iii) the fees and expenses of the Financial Advisor or any other consultant retained by the Agency; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) the fees and expenses of the Trustee and the Escrow Bank, (vii) the fees and expenses of the Verification Agent, (viii) rating agency fees; and (ix) bond insurance and surety bond or debt service reserve insurance policy premiums, if applicable.

(b) The Underwriter shall pay (and the Agency shall be under no obligation to pay) all expenses incurred by the Underwriter in connection with the public offering and distribution of the Bonds, including but not limited to CDIAC, DTC, MSRB, CUSIP Bureau, California Public Securities Association fees, the cost of preparation of any Blue Sky and Legal Investment Memoranda and all Blue Sky filing fees in connection with the public offering of the Bonds, all advertising expenses in connection with the public offering of the Bonds, and fees and expenses of its counsel. Some or all of the expenses to be paid by the Underwriter may be included as part of the expense component of the underwriting discount or commission or may be reimbursed to the Underwriter as out-of-pocket expenses.

Section 10. Representations, Warranties and Agreements to Survive Delivery.

The representations, warranties, agreements and other statements of the Agency and the Underwriter or their officers or partners set forth in, or made pursuant to, this Purchase Contract will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Agency or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

Section 11. Notices. Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing:

To the Agency: Successor Agency of the Scotts Valley Redevelopment Agency
One Civic Center Drive
Scotts Valley, California 95066
Attention: Executive Director

To the Underwriter: Stifel, Nicolaus & Company, Incorporated
One Montgomery Street, 35th Floor
San Francisco, California 94104
Attention: Ralph Holmes

Section 12. Parties in Interest. This Purchase Contract is made solely for the benefit of the Agency and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Agency's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract; and (iii) any termination of this Purchase Contract.

Section 13. Determination of End of the Underwriting Period. For purposes of this Purchase Contract, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Agency has been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of Rule 15c2-12 will not occur on the day of the Closing, or (b) the date on which notice is given to the Agency by the Underwriter in accordance with the following sentence. In the event that the Underwriter has given notice to the Agency pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Agency in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule; provided, that the End of the Underwriting Period shall in no event extend beyond 90 days after the Closing.

Section 14. Effectiveness. This Purchase Contract shall become effective upon the execution of the acceptance by the designees of the Agency, and shall be valid and enforceable at the time of such acceptance.

Section 15. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

Section 16. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

Section 17. Counterparts. This Purchase Contract may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Purchase Contract please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement between the Agency and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL, NICOLAUS & COMPANY,
INCORPORATED

By: _____
Authorized Signatory

Accepted:

At _____ p.m. on this _____ day of _____, 2017.

**SUCCESSOR AGENCY OF THE
SCOTTS VALLEY REDEVELOPMENT AGENCY**

By: _____
Executive Director

Exhibit A
MATURITY SCHEDULE

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Series A

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Taxable Series B

2017A BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield
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2017B BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield
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Optional Redemption.

Sinking Account Redemption.

Exhibit B

Supplemental Opinion of Jones Hall, A Professional Law Corporation,
Bond Counsel
Addressed to the Underwriter

[Closing Date]

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Series A

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Taxable Series B

Successor Agency of the Scotts Valley Redevelopment Agency
Scotts Valley, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Ladies and Gentlemen:

We have this day released to the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”) our final approving legal opinion with respect to the subject bonds (the “Bonds”). You are authorized to rely on such opinion as if the same were addressed to you.

In connection with rendering the above-described opinion, we examined the record of proceedings submitted to me relative to the issuance of the Bonds and such other documents as are in our opinion necessary to enable us to express an informed opinion with respect to the following matters. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Official Statement of the Agency, dated August 18, 2017, relating to the Bonds.

Based upon the foregoing, in our opinion:

1. The Agency has the right and power to perform all of its obligations under the Bond Purchase Contract, dated _____, 2017, by and between the Agency and Stifel, Nicolaus & Company, Incorporated, as underwriter of the Bonds (the “Purchase Contract”) and the Escrow Agreement. The Agency has duly authorized the Purchase Contract and the Escrow Agreement and assuming due authorization, execution and delivery by the other parties thereto, as necessary, each of the Purchase Contract and the Escrow Agreement constitutes a legal, valid

and binding agreement of each of the Agency enforceable against such agency in accordance with its respective terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

2. The Bonds are not required to be registered under the Securities Act of 1933, as amended.
3. The Indenture is not required to be registered under the Trust Indenture Act of 1939.
4. The statements contained in the Official Statement under the headings "INTRODUCTION," "2017 BONDS" (excluding information relating to DTC or its book-entry only system), and "SECURITY AND SOURCES OF PAYMENT FOR 2017 BONDS," and in Appendices D and E, insofar as such statements purport to summarize the provision of the Bonds, the Indenture, the Escrow Agreement and our approving opinion, fairly and accurately summarize the information presented therein.

Respectfully submitted,

Exhibit C

Opinion of Richards, Watson & Gershon, A Professional Corporation,
Disclosure Counsel

[Closing Date]

Successor Agency of the Scotts Valley Redevelopment Agency
Scotts Valley, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Opinion of Disclosure Counsel

with reference to

\$ _____
Successor Agency of the Scotts Valley
Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Series A

\$ _____
Successor Agency of the Scotts Valley
Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Taxable Series B

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”) with respect to the captioned Bonds (the “Bonds”). This opinion is rendered to pursuant to the Bond Purchase Contract, dated _____, 2017 (the “Purchase Contract”), by and between the Agency and Stifel, Nicolaus & Company, Incorporated, as the Underwriter. All capitalized terms used and not otherwise defined herein have the meanings ascribed to them in the Purchase Contract, and if not in the Purchase Contract, in the Official Statement, dated _____, 2017, relating to the Bonds (the “Official Statement”).

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate. This opinion is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have participated in the preparation of the Official Statement. Such participation included, among other things, discussions and inquiries concerning various legal matters, review of certain documents and proceedings, and participation in conferences with, among others, your representatives and representatives of Jones Hall, A Professional Law Corporation, as Bond Counsel, and NHA Advisors, LLC, as the Municipal Advisor, Fraser & Associates, as the Fiscal Consultant, at which conferences the contents of the

Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom the appendices to the Official Statement; CUSIP numbers, financial, engineering, and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions, information about the book-entry only system and DTC; information regarding the City's or Agency's compliance with prior continuing disclosure undertakings; information with respect to the underwriter; information about the Insurer, the Insurance Policy, or the Reserve Policy; and statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

This opinion is furnished by us as Disclosure Counsel to the Agency. No attorney-client relationship has existed or exists between our firm and Stifel, Nicolaus & Company, Incorporated in connection with the Bonds or by virtue of this letter. This opinion is rendered in connection with the transaction described herein, and may not be relied upon for any other purpose. This opinion shall not extend to, and may not be used, quoted, referred to, or relied upon by any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Very truly yours,

Exhibit D

Opinion of Agency’s General Counsel to the Agency

[Closing Date]

\$ _____
Successor Agency
of the Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Series A

\$ _____
Successor Agency of the
Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds
Taxable Series B

Successor Agency of the Scotts Valley Redevelopment Agency
Scotts Valley, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Ladies and Gentlemen:

This opinion is being delivered to you pursuant to Section 7(e)(8) of the Bond Purchase Contract, dated _____, 2017 (the “Purchase Contract”), by and between the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”) and Stifel, Nicolaus & Company, Incorporated, as the Underwriter. All capitalized terms used but not defined herein have the meanings ascribed to them in the Purchase Contract. In our capacity as counsel to the Agency in connection with the issuance of the above-captioned bonds (the “Bonds”), we have reviewed the Legal Documents and such other documents, certificates, and records as we have deemed relevant and necessary as the basis for the opinion set forth herein. Relying on such examination and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

(1) The Agency is a public entity, duly organized and validly existing under the laws of the State of California, including the Dissolution Act;

(2) Each of (i) Resolution No. SA-36 of the Agency approving and authorizing the execution and delivery of the Indenture and the Escrow Agreement and approving the Official Statement (the “Agency Resolution”) and (ii) Resolution No. SA-____ approving the Preliminary Official Statement (the “Additional Agency Resolution”) was duly adopted at a meeting of the Agency which was called and held on, respectively, November 2, 2016 and _____, 2017, pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and each of the Agency Resolution and the Additional Agency Resolution is in full force and effect and has not been modified, amended or rescinded;

(3) There is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, governmental agency or body, pending and notice of which has been served on and received by the Agency or, to the best of our knowledge, threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Bonds, the Official Statement, or the Legal Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Legal Documents, or which, in any manner, questions the allocation and payment of the Tax Revenues to the Agency and the other security for the Bonds provided by the Indenture; and

(4) To the best of our knowledge, the authorization, execution and delivery of the Legal Documents by the Agency and compliance with the provisions thereof by the Agency of its obligations thereunder, will not conflict with, or constitute a breach or default under, in any material respect, any law, administrative regulation, court decree, resolution, ordinance or other agreement to which the Agency is subject or by which it is bound.

Very truly yours,

Exhibit E

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), that he is a duly appointed and acting officer of the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”), and as such is authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Agency to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) in connection with the offering and sale of the Agency’s 2017 Tax Allocation Refunding Bonds, Series A, and its Tax Allocation Refunding Bonds, Taxable Series B (collectively, the “Bonds”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement dated _____, 2017, setting forth information concerning the Bonds and the issuer of the Bonds (the “Preliminary Official Statement”).

(3) As used herein, “Permitted Omissions” shall mean the offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final contract of purchase, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Agency shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the ____ day of _____, 2017.

SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY

By: _____
Executive Director

Exhibit F

Opinion of Counsel to the Trustee and the Escrow Agent

[Closing Date]

Successor Agency of the Scotts Valley
Redevelopment Agency
Scotts Valley, California

Stifel, Nicolaus & Company, Incorporated
San Francisco, California

Re: Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A and 2017 Tax Allocation Refunding Bonds, Taxable Series B

Ladies and Gentlemen:

I am a Managing Counsel in the Legal Department of The Bank of New York Mellon Trust Company, N.A. (“BNY Mellon”) and I am delivering this opinion in connection with the execution and delivery of (i) that certain Indenture of Trust dated as of _____ 1, 2017 (the “Original Indenture”), between the Successor Agency of the Scotts Valley Redevelopment Agency (the “Agency”) and BNY Mellon, as trustee (the “Trustee”), (ii) that certain First Supplemental Indenture of Trust dated as of _____ 1, 2017 (together with the Original Indenture, the “Indenture”), between the Agency and the Trustee, and (iii) that certain Escrow Deposit and Trust Agreement dated as of _____ 1, 2017 (together with the Indenture, the “Agreements”, and each individually, an “Agreement”), between the Agency and BNY Mellon, as escrow agent and Prior Obligations Trustee. All capitalized terms used herein not otherwise defined shall be as defined in the Agreements.

In rendering the opinions set forth below, I have examined the originals, or copies certified to my satisfaction, of such agreements (including, without limitation, the Agreements), certificates and other statements of government officials and corporate officers of BNY Mellon, documents and other papers as I deemed relevant and necessary as a basis for such opinion and have relied as to factual matters on representations, warranties and other statements therein. With respect to parties other than BNY Mellon, in such examination, I have assumed the authenticity of all documents submitted to me as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to me as copies. In my examination of documents (including, without limitation, the Agreements) executed by parties other than BNY Mellon, I have also assumed that, if the opinions set forth in paragraphs (1) through (4) below referred to such parties and such documents, such opinions would be true and correct with respect to such parties and such documents.

The opinions expressed herein are limited to the laws of the State of California and the Federal law of the United States, and I do not express any opinion herein concerning any other law.

Based upon the foregoing, I am of the opinion that:

(1) BNY Mellon is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the Agreements, and any other documentation relating to the Agreements, and to perform its obligations under the Agreements.

(2) The execution and delivery by BNY Mellon of the Agreements and any other documentation relating to the Agreements, and its performance of its obligations under the Agreements, have been and are as of the date hereof duly authorized by all necessary corporate action.

(3) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by BNY Mellon of the Agreements.

(4) The Agreements have been duly executed and delivered by BNY Mellon and constitute the valid and legally binding obligations of BNY Mellon enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

My opinions are subject to the following assumptions and qualifications:

I express no opinion as to (a) any transactions not specifically referred to herein; (b) any provision of the Agreements to the extent it provides that a party is entitled to recover more than its actual damages under such Agreement; (c) any right, remedy or provision of the Agreements (including without limitation any termination payment provisions thereof) which, if determined to be a penalty, a court or other authority or body may have the discretion to invalidate or decline to enforce; (d) the enforcement of rights with respect to indemnification and contribution obligations; (e) any provision relating to severability; (f) any provision purporting to waive or limit rights to trial by jury, oral amendments to written agreements or rights of set-off; (g) any provision relating to submission to jurisdiction, venue or service of process; (h) any provision purporting to prohibit, restrict or require the consent of the other party for the transfer of, or the creation, attachment or perfection of a security interest in, an Agreement or an interest therein, which may be limited by applicable law or considerations of public policy; (i) any provision that provides that the rights of the parties to an Agreement may not be assigned by a party without the prior written consent of the other party or parties, which may be limited by the Uniform Commercial Code; (j) the tax consequences of any transaction under the Agreements; (k) any Federal securities laws, pension and employee benefit laws (e.g., ERISA), anti-money laundering laws, trading with the enemy laws, or other laws of special or general application not normally covered in an opinion on capacity and enforceability, in accordance with market practice; or (l) the priority, perfection, attachment or validity of any security interest created under the Agreements or the enforcement of remedies in connection therewith.

This opinion is based upon facts and law in existence on the date hereof and I disclaim any obligation to advise you of any changes therein occurring after the date hereof. This opinion is given for the use and benefit of the addressees and no other party or entity is entitled to rely on it.

Very truly yours,

Rhea L. Ricard
Managing Counsel