

NEW ISSUE - BOOK ENTRY**NO RATING**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the approval or receipt of interest, on the Bonds. See "TAX MATTERS" herein.

\$4,500,000

**RICHMOND REDEVELOPMENT AGENCY
COMMUNITY FACILITIES DISTRICT NO. 1998-1
(MARINA WESTSHORE DEVELOPMENT PROJECT)
SPECIAL TAX BONDS, SERIES 1998**

Dated: Date of Delivery**Due: October 1, as shown below**

The Community Facilities District No. 1998-1 (Marina Westshore Development Project) Special Tax Bonds, Series 1998 in the aggregate principal amount of \$4,500,000 (the "Bonds") are being issued by the Richmond Redevelopment Agency (the "Agency") to provide funds to: (i) acquire certain public improvements and construct certain public improvements, together with all necessary appurtenances (as more fully described herein, the "Facilities") to service property located in Richmond Redevelopment Agency Community Facilities District No. 1998-1 (Marina Westshore Development Project) (the "District"); (ii) complete certain soil remediation activities within the District; (iii) fund the Bond Reserve Fund for the Bonds; (iv) capitalize a portion of the interest on the Bonds; and (v) pay costs of the issuance of the Bonds.

The Bonds are authorized to be issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (Sections 53311 et seq. of the California Government Code) (the "Act"). The Bonds are issued pursuant to a resolution adopted on September 22, 1998 by the Agency Board of the Agency acting as the legislative body of the District, and an Indenture dated as of October 1, 1998 (the "Indenture") between the Agency and U.S. Bank Trust National Association, as trustee (the "Trustee").

The Bonds are being issued in fully registered book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 1999. Individual purchases will be in principal amounts of \$5,000 or in any integral multiple thereof. Payments of principal of and interest on the Bonds will be payable by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See APPENDIX G - "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bonds are secured by a pledge of Special Taxes received by the Agency (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Indenture), the Bond Reserve Fund and the Redemption Fund established under the Indenture.

The Special Tax will be collected in the same manner and at the same time as *ad valorem* property taxes are collected by the County Treasurer-Tax Collector (the "County Treasurer") of the County of Contra Costa, beginning in Fiscal Year 1999-2000, and after they are received by the Agency shall be immediately transferred to the Trustee to be deposited in the Special Tax Fund (as defined herein). Prepayment of the entire Special Tax obligation of any parcel may be made under certain circumstances. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-The Special Tax."

The Bonds are subject to optional and mandatory redemption as described herein. See "THE BONDS-Redemption."

THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE AGENCY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE AGENCY, THE CITY OF RICHMOND, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AGENCY OR THE CITY OF RICHMOND WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for general reference only. It is not a summary of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Investment in the Bonds involves risk. See "SPECIAL RISK FACTORS" for a discussion of certain special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

MATURITIES, AMOUNTS, RATES, PRICES AND YIELDS

<u>Maturity Date</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Maturity Date</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2001	\$ 80,000	4.100%	100%	2007	\$100,000	4.800%	100%
2002	80,000	4.250	100	2008	105,000	4.900	100
2003	85,000	4.375	100	2009	110,000	5.000	100
2004	90,000	4.500	100	2010	115,000	5.050	100
2005	95,000	4.600	100	2011	125,000	5.100	100
2006	95,000	4.700	100	2012	130,000	5.150	100

\$930,000 5.250% Term Bonds Due October 1, 2018 - Price 99% to Yield 5.332%
\$2,360,000 5.400% Term Bonds Due October 1, 2028 - Price 99% to Yield 5.468%

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the Agency by the Agency Counsel, and for the Underwriter and the Agency by Lofton De Lancie, San Francisco, California, Disclosure Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 15, 1998, in New York, New York.

WESTHOFF, CONE & HOLMSTEDT

The date of this Official Statement is October 6, 1998.

No dealer, broker, salesperson or other person has been authorized by the Underwriter, the Agency or the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the Agency, the City of Richmond or the Underwriter. The information and expressions of opinion stated herein are subject to change without notice; and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the major property owners in the District, or in the condition of the Facilities or the property in the District, since the date hereof.

The summaries and references to the Indenture, the Act and to other statutes and documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such statute and document. This Official Statement including any amendment or supplement hereto is intended to be deposited with one or more depositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

RICHMOND REDEVELOPMENT AGENCY

AGENCY BOARD AND CITY COUNCIL

Rosemary M. Corbin, *Chair and Mayor*
John E. Marquez, *Vice-Chair and Vice Mayor*
Irma L. Anderson
Nathaniel Bates
Thomas K. Butt
Alex P. Evans
Richard L. Griffin
Lesa R. McIntosh
Donna R. Powers

AGENCY AND CITY STAFF

Isiah Turner, *Chief Executive Officer, City Manager*
David S. Thompson, *Redevelopment Director*
Thomas Mitchell, *Chief of Redevelopment Projects*
Malcolm Hunter, Esq., *Agency Counsel*
Anna Vega, *Treasurer, Director of Finance*

SPECIAL TAX CONSULTANT

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Sacramento, California

APPRAISER

Hulberg & Associates Inc.
San Ramon, California

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

DISCLOSURE COUNSEL

Lofton De Lancie
San Francisco, California

TRUSTEE

U.S. Bank Trust National Association
San Francisco, California

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\$4,500,000
RICHMOND REDEVELOPMENT AGENCY
COMMUNITY FACILITIES DISTRICT NO. 1998-1
(MARINA WESTSHORE DEVELOPMENT PROJECT)
SPECIAL TAX BONDS, SERIES 1998

INTRODUCTION

The description and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Indenture (defined below).

The purpose of this Official Statement, which includes the cover page and attached Appendices, is to provide certain information concerning the issuance of the Richmond Redevelopment Agency Community Facilities District No. 1998-1 (Marina Westshore Development Project) Special Tax Bonds, Series 1998 in the principal amount of \$4,500,000 (the "Bonds"). The Bonds are being issued pursuant to the terms and provisions of the Mello- Roos Community Facilities Act of 1982, as amended, constituting Sections 53311, *et seq.* of the California Government Code (the "Act"), a resolution adopted on September 22, 1998 by the Agency Board of the Richmond Redevelopment Agency (the "Agency") acting as legislative body of the District, and an Indenture dated as of October 1, 1998 (the "Indenture") between the Agency and U.S. Bank Trust National Association, as Trustee (the "Trustee").

The Act was enacted by the California Legislature to provide an alternate method of financing certain public capital facilities and services, especially in developing areas of the State of California (the "State"). Once duly established by a city, county or other local agency, a community facilities district is a legally constituted governmental entity within definitely defined boundaries, with the governing board or legislative body of the local agency acting on its behalf. Subject to approval by a two-thirds vote of a district's qualified electors and compliance with the provisions of the Act, a legislative body of a local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

The Bonds will be secured by a pledge of Special Taxes received by the Agency (including any prepayment thereof and proceeds from foreclosure sales pursuant to the Indenture), the Bond Reserve Fund and the Redemption Fund established under the Indenture and moneys in certain other funds and accounts established under the Indenture. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT." The Bonds are payable from the Special Taxes to be included on the regular property tax bill sent to the record owners of properties within the District. The District has covenanted for the benefit of the owners of the Bonds, under certain circumstances described herein, to commence judicial foreclosure proceedings against property with delinquent Special Taxes and to diligently pursue such proceedings to completion. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT—Special Tax Authorization" and "—Covenant for Foreclosure."

THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE AGENCY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE AGENCY, THE CITY OF RICHMOND, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AGENCY OR THE CITY OF RICHMOND WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

There are risks inherent in the purchase of the Bonds. See "SPECIAL RISK FACTORS" for a discussion of some of the special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Bonds.

Brief descriptions of the Bonds, the security for the Bonds, the Special Tax, the Agency, the District, the owner and developer of land within the District (the "Developer"), the Facilities being acquired with the proceeds of the Bonds, and the property in the District are included in this Official Statement together with summaries of certain provisions of the Bonds, the Indenture and certain other documents. Such descriptions do not purport to be comprehensive or definitive. Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture. All references herein to the Indenture and other documents are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Indenture, copies of which are available prior to the issuance of the Bonds at the office of the Redevelopment Director of the Agency, Richmond Redevelopment Agency, 330 25th Avenue, Richmond, California 94804 and thereafter at the office of the Trustee, U.S. Bank Trust National Association, Corporate Trust Division, One California Street, Suite 400, San Francisco, California 94111.

THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the Act and the Indenture.

Purpose of the Bonds

The Bonds are being issued to provide funds to (i) acquire certain public improvements and construct certain public improvements, together with all necessary appurtenances (as more fully described herein, the "Facilities") to service property located in Richmond Redevelopment Agency Community Facilities District No. 1998-1 (Marina Westshore Development Project) (the

"District"); (ii) complete certain soil remediation activities within the District; (iii) fund the Bond Reserve Fund for the Bonds; (iv) capitalize a portion of the interest on the Bonds; and (v) pay costs of the issuance of the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Bonds

The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000, or any integral multiple thereof (not exceeding the principal amount maturing at any one time), and shall be dated the date of delivery thereof. The Bonds will be issued in book-entry only form and The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. So long as the Bonds are held in book-entry only form, principal of and interest on the Bonds will be paid directly to DTC for distribution to the beneficial owners of the Bonds in accordance with the procedures adopted by DTC. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Bonds will mature on October 1, in the principal amounts and years, and bearing rates of interest, as shown on the inside cover of this Official Statement.

Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, commencing April 1, 1999 (each, an "Interest Payment Date") and will be computed on the basis of a 360-day year consisting of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) it is authenticated on a day during the period from the sixteenth (16th) day of the calendar month next preceding an Interest Payment Date to such Interest Payment Date both days inclusive, in which event they shall bear interest from such Interest Payment Date, or (ii) it is authenticated on a day on or before the fifteenth (15th) day of the month preceding the first Interest Payment Date, in which event they shall bear interest from its dated date; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment.

Principal of the Bonds is payable in lawful money of the United States of America at the principal corporate trust office of the Trustee in San Francisco, California. Payment of interest on the Bonds due on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the registration books required to be kept by the Trustee pursuant to the Indenture as the registered owner thereof at the close of business on the Record Date next preceding the Interest Payment Date, such interest to be paid by check mailed by first class mail to such registered owner at his address as it appears on such books, except that in the case of an owner of \$1,000,000 or more in aggregate principal amount of the Bonds then Outstanding, payment shall be made at such owner's option by wire transfer on each such Interest Payment Date of immediately available funds to an account in a bank or trust company or savings bank that is a member of the Federal Reserve System and that is located in the continental United States of America according to written instructions provided by such owner to the Trustee prior to the Record Date preceding such Interest Payment Date. Payment of the principal of and redemption premium, if any, on the Bonds shall be made only to the person whose name appears in the registration books to be kept by the Trustee pursuant to the Indenture as the registered owner thereof, such principal and redemption premiums, if any, to be paid only

on the surrender of the Bonds at the principal corporate trust office of the Trustee at maturity or on redemption prior to maturity.

Redemption

Extraordinary Redemption from Prepayment of Special Tax. The Bonds are subject to extraordinary redemption by the Agency prior to their respective maturity dates, as a whole or in part on any Interest Payment Date solely from funds derived by the Agency as a result of the prepayment of the Special Tax by any property owner in the District, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption), together with accrued interest to the date fixed for redemption, as set forth below:

<u>Redemption Date</u>	<u>Redemption Price</u>
Prior to October 1, 2004	103%
October 1, 2004 or April 1, 2005	102
October 1, 2005 or April 1, 2006	101
October 1, 2006 and thereafter	100

Transfers of property ownership and certain other circumstances could result in prepayments of the Special Tax. Such prepayments would result in redemption of all or a portion of the Bonds prior to their stated maturity, at the redemption prices corresponding to the redemption dates as shown above, and would thus cause a proportionate reduction of the amount on deposit in the Bond Reserve Fund.

Optional Redemption from any Source Other Than Sinking Fund Payments or Prepayment of the Special Tax. The Bonds maturing on or after October 1, 2005 are subject to optional redemption by the Agency prior to their respective maturity dates, as a whole or in part on any Interest Payment Date on or after October 1, 2004, from funds derived by the Agency from any source other than Sinking Fund Payments (defined below) or prepayments of the Special Tax, at the following redemption prices (computed upon the principal amount of the Bonds or portions thereof called for redemption) together with accrued interest to the date fixed for redemption, as set forth below:

<u>Redemption Date</u>	<u>Redemption Price</u>
October 1, 2004 or April 1, 2005	102%
October 1, 2005 or April 1, 2006	101
October 1, 2006 and thereafter	100

Mandatory Redemption From Minimum Sinking Fund Account Payments. The Agency will establish and maintain with the Trustee the Term Bonds of Series 1998 Sinking Fund Account in the Redemption Fund for the Bonds maturing on October 1, 2018 (the "2018 Term Bonds"), to receive payments (the "Sinking Fund Payments") for the mandatory redemption of the 2018 Term Bonds due. The 2018 Term Bonds are subject to mandatory redemption by the Agency prior to their maturity date in part on any October 1 on or after October 1, 2013, at the principal amount thereof together with accrued interest thereon to the date fixed for redemption, solely from Minimum Sinking Fund Account Payments deposited into the 2018 Term Bonds Sinking Fund Account for the Bonds, as follows:

2018 Term Bonds Maturing October 1, 2018	
Minimum Sinking Fund Payment Date <u>(October 1)</u>	<u>Sinking Fund Payment</u>
2013	\$135,000
2014	145,000
2015	150,000
2016	160,000
2017	165,000
2018	175,000†

† Maturity.

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Mandatory Redemption From Minimum Sinking Fund Account Payments. The Agency will establish and maintain with the Trustee the Term Bonds of Series 1998 Sinking Fund Account in the Redemption Fund for the Bonds maturing on October 1, 2028 (the "2028 Term Bonds"), to receive payments (the "Sinking Fund Payments") for the mandatory redemption of the 2028 Term Bonds due. The 2028 Term Bonds are subject to mandatory redemption by the Agency prior to their maturity date in part on any October 1 on or after October 1, 2019, at the principal amount thereof together with accrued interest thereon to the date fixed for redemption, solely from Minimum Sinking Fund Account Payments deposited into the 2028 Term Bonds Sinking Fund Account for the Bonds, as follows:

2028 Term Bonds Maturing October 1, 2028	
Minimum Sinking Fund Payment Date (October 1)	Sinking Fund Payment
2019	\$185,000
2020	195,000
2021	205,000
2022	215,000
2023	225,000
2024	240,000
2025	255,000
2026	265,000
2027	280,000
2028	295,000†

† Final Maturity.

In the event of a partial redemption of any of the 2018 Term Bonds or 2028 Term Bonds pursuant to optional redemption as described above, the amounts of the Sinking Fund Payments shown in the foregoing table will be reduced proportionately by the principal amount of all the 2018 Term Bonds or 2028 Term Bonds which are redeemed by such partial redemption.

Selection of Bonds for Redemption

If less than all the Outstanding Bonds are to be redeemed at the option of the Agency at any one time, the Agency will select the maturity dates from which the Bonds of such Series of Bonds shall be redeemed, and if less than all the Outstanding Bonds of any one maturity date are to be redeemed at any one time, the Agency will notify the Trustee in writing at least fifteen (15) days prior to the date fixed for the selection of any such Bonds for redemption and the Trustee will select the Bonds or the portions thereof of such Bonds of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) by lot in any manner that it deems appropriate.

Notice of Redemption

The Indenture provides that the Trustee will mail by first-class mail a notice of redemption pursuant to the Indenture to the Owners of the Bonds selected for redemption in whole or in part. The Trustee will also provide notice to the Information Services by facsimile transmission or by certified, registered or overnight mail at the time of the mailing of notices to the Owners and will provide notice to the Securities Depositories by telecopy or by certified, registered or overnight mail at least one Business Day before mailing of notices to the Owners.

Each notice of redemption will state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities of the Bonds to be redeemed and, if less than all of any such maturity, the number of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and will give notice that further interest on such Bonds or the portions thereof redeemed will not accrue from and after the redemption date, and will require that such Bonds be then surrendered at the address or addresses of the Trustee so designated; provided that neither the Agency nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Agency nor the Trustee will be liable for any inaccuracy in such numbers. If any Bond so chosen for redemption will not be redeemable in whole, such notice will also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of principal thereof a new Bond or Bonds of the same maturity date, of authorized denominations equal in aggregate principal amount to such unredeemed portion.

Any notice required to be given to any Owners will be given by mailing a copy of such notice, pursuant to the Indenture, not less than 30 days nor more than 60 days following the action which notice thereof is required to be given. Neither the failure to receive any such notice nor any immaterial defect contained in the notice shall affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

So long as the Bonds are in book-entry only form, notices of redemption will be given directly by the Trustee to DTC and not to the beneficial owners of the Bonds. See APPENDIX G—"DTC AND BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange of Bonds

The Indenture provides that the Trustee will keep at its principal corporate trust office books for the transfer and exchange of the Bonds, which books shall at all times during normal business hours with reasonable prior notice be open to inspection by the Agency or by any Owner. Any Bond may, in accordance with its terms, be transferred or exchanged on such books by the person in whose name it is registered, in person or by his or her duly authorized

attorney, upon payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange, and upon surrender of such Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer or exchange, the Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of the same maturity date and of authorized denominations for the same aggregate principal amount, except that neither the Agency nor the Trustee shall be required (i) to transfer or exchange any Bonds during the 15-day period prior to the selection of any Bonds for redemption, or (ii) to transfer or exchange any Bond which has been selected for redemption in whole or in part, except the unredeemed portion of such Bond selected for redemption in part, from and after the day that such Bond has been selected for redemption in whole or in part.

The Agency and the Trustee may treat the registered Owner of any Bond, as shown on the registration books kept by the Trustee, as the absolute Owner of such Bond, whether such Bond shall be overdue or not, and neither the Agency nor the Trustee shall be affected by any notice or knowledge to the contrary.

Mutilated, Destroyed, Stolen or Lost Bonds

The Indenture provides that in case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Agency to have been destroyed, stolen or lost, upon proof of Ownership satisfactory to the Agency and the Trustee and upon the surrender of such mutilated Bond at the principal corporate trust office of the Trustee, or upon the receipt of evidence satisfactory to the Agency and the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Agency and the Trustee, and also upon payment of all expenses incurred by the Agency and the Trustee in conjunction therewith, the Agency shall execute and the Trustee shall authenticate and deliver at such principal corporate trust office a new Bond or Bonds of the same maturity date for the same aggregate principal amount in authorized denominations of like tenor and date, and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Agency upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bonds issued pursuant to the Indenture shall be entitled to equal and proportionate benefits with all other Bonds issued under the Indenture, and the Agency and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued under that Indenture or for the purpose of determining any percentage of Bonds Outstanding under that Indenture, but both the original and the replacement Bond shall be treated as one and the same.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the Bonds are shown in the following table:

Estimated Sources of Funds

Principal Amount	\$4,500,000.00
Less: Original Issue Discount	32,900.00
Less: Underwriter's Discount	<u>90,000.00</u>
Total Estimated Sources of Funds	\$4,377,100.00

Estimated Uses of Funds

Acquisition and Construction Fund ⁽¹⁾	\$3,600,000.00
Bond Reserve Fund ⁽²⁾	314,422.50
Redemption Fund ⁽³⁾	335,736.50
Expense Fund ⁽⁴⁾	<u>126,941.00</u>
Total Estimated Uses of Funds	\$4,377,100.00

- (1) To finance the construction and/or acquisition of the "Facilities," as more fully described herein. See "THE DISTRICT—Facilities to be Financed."
- (2) An amount equal to the Required Bond Reserve.
- (3) Equal to a portion of the interest on the Bonds.
- (4) Costs of issuance include, among others, bond counsel fee, disclosure counsel fee, and initial fees of the Trustee.

SECURITY FOR THE BONDS AND SOURCES OF PAYMENT

General

The Bonds are authorized pursuant to the Act and are issued under a resolution of the Agency Board, acting as the legislative body of the District, and the Indenture. The Act was enacted by the California Legislature to provide an alternate method of financing certain essential public capital facilities and services, especially in developing areas of the State. Once duly established, a community facilities district is a legally constituted governmental entity within definitely defined boundaries, with the governing board or legislative body of the local agency establishing the District acting on its behalf. Subject to approval by a two-thirds vote of qualified electors and compliance with the provisions of the Act, a legislative body of local agency may issue bonds for a community facilities district and may levy and collect a special tax within such district to repay such indebtedness.

THE BONDS ARE SPECIAL TAX OBLIGATIONS OF THE AGENCY, AND THE INTEREST ON, PRINCIPAL OF AND REDEMPTION PREMIUM, IF ANY, ON THE BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF THE SPECIAL TAX (INCLUDING ANY PREPAYMENTS THEREOF AND PROCEEDS FROM THE SALE OF PROPERTY COLLECTED PURSUANT TO THE FORECLOSURE PROVISIONS OF THE INDENTURE FOR THE DELINQUENCY OF THE SPECIAL TAX) AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED IN THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL TAXING POWER OF THE AGENCY, THE CITY OF RICHMOND, THE DISTRICT, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AGENCY OR THE CITY OF RICHMOND WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Although the Special Tax will constitute a lien on property subject to taxation in the District, it will not constitute a personal indebtedness of the owners of such property. There is no assurance that the owners will be financially able to pay the annual Special Tax or that they will pay such tax even if financially able to do so. The risk of nonpayment by property owners is more fully described in "SPECIAL RISK FACTORS—Collection of the Special Tax."

Special Tax Authorization

In accordance with the provisions of the Act, the Agency Board established the District on September 22, 1998 for the purpose of providing for the financing of certain public facilities in and for the District. At an all-mailed ballot election conducted on September 22, 1998, the eligible landowner elector within the District authorized the issuance of not to exceed \$4,500,000 principal amount of special tax bonds for the District for the purpose of financing such public facilities and the annual levy of the Special Tax in the District to be used for the purpose, among others, of paying the interest on and principal of and redemption premiums, if any, on such bonds.

Pursuant to the Indenture, so long as any Bonds are outstanding, the Agency is required annually to levy the Special Tax against all Taxable Parcels (as defined in Appendix A) in the District and make provision for the collection of the Special Tax in amounts which will be sufficient, after making reasonable allowances for contingencies and errors in the estimates, to yield proceeds equal to the amounts required for compliance with the agreements, conditions, covenants and terms contained in the Indenture, and which in any event will be sufficient to pay the interest on, principal (including Minimum Sinking Fund Account Payments, if any) and redemption premiums, if any, on all Outstanding Bonds as they become due and payable, to replenish the Bond Reserve Fund to the Required Bond Reserve and to pay all current Expenses for the Bonds as they become due and payable.

The Special Tax is to be levied and collected against all Taxable Parcels within the District in accordance with the rate and method of apportionment for the District approved at the election held on September 22, 1998. A copy of the rate, method of apportionment and manner of collection of the Special Tax for the District (the "Special Tax Formula") is attached

as Appendix A. The Special Tax Formula annually allocates the Special Tax required among the Taxable Parcels in the District based upon land uses, subject to the maximum annual tax that may be levied against each land use category.

Special Tax Formula

General. The Special Tax Formula provides that the Special Tax levy each Fiscal Year is calculated by first determining the "Annual Costs" for the Fiscal Year. Annual Costs are defined in the Special Tax Formula to be the total of (i) Debt Service for the calendar year commencing January 1 for such Fiscal Year through December 31 of the following Fiscal Year; (ii) Administrative Expenses for such Fiscal Year, (iii) any amounts needed to replenish the Bond Reserve Fund; (iv) an amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and/or an amount for anticipated delinquencies for the current Fiscal Year; and (v) pay-as-you-go expenditures for authorized facilities to be constructed or acquired by the District; less (vi) earnings or amounts in the Bond Reserve Fund and any reimbursements.

The aggregate Special Tax imposed on all Parcels for a particular year will be the lesser of Annual Costs or the aggregate of the Maximum Annual Special Taxes that may be imposed on all Parcels. The Maximum Annual Special Tax rate will be set each year by determining the sum of Building Square Footage for each developed parcel and dividing the Maximum Annual Cost by that sum. The Maximum Annual Special Tax rate is recalculated when developed parcels are added or additional Building Square Footage that has been granted a certificate of occupancy is added to Developed Parcels.

Prepayment of Special Taxes. Property owners may permanently satisfy the Special Tax obligation of a parcel by a cash settlement with the Agency as permitted under California Government Code Section 53344. The procedure for permanently satisfying the Special Tax obligation is set forth in the Special Tax Formula attached hereto as APPENDIX A. Pursuant to the Indenture, the Agency is required to transfer any amounts received as prepayments of the Special Tax to the Trustee in order to redeem Bonds or portions thereof in authorized denominations on any Interest Payment Date as more fully described herein under "THE INDENTURE—Funds and Accounts, Prepayment Fund." See also "THE BONDS—Redemption."

The Act prohibits the Agency Board from adopting a resolution to reduce the rate of the Special Tax or terminate the levy of the Special Tax unless the Agency Board determines that the reduction or termination of the Special Tax "would not interfere with the timely retirement" of the outstanding Bonds.

NEITHER THE FAITH AND CREDIT NOR THE GENERAL TAXING AUTHORITY OF THE DISTRICT, THE AGENCY, THE CITY OF RICHMOND, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION OF ANY OF THE FOREGOING IS PLEDGED TO THE PAYMENT OF THE BONDS.

Special Tax Analysis

The Special Tax Formula provides for the levy of the annual Special Tax on each parcel in the District based upon Building Square Footage then existing on such parcel. **Therefore, the Special Tax is levied only on developed parcels and no Special Tax is levied in any given year on an undeveloped parcel.** The property within the District consists of three parcels, two of which are currently developed with office buildings. Consequently, the initial real property security for the Bonds is the two developed parcels.

As additional development occurs, the proportion of the Special Tax burden on each parcel will change, on an annual basis, and will reflect the then-respective Building Square Footages on each developed parcel. See "THE DISTRICT—Development and Proposed Development."

The Maximum Tax which can be levied annually under the Special Tax Formula is approximately \$384,000. Given that the existing buildings in the District contain an aggregate of approximately 128,000 square feet, the Maximum Tax initially equates to \$3.00 per square-foot. At an average interest rate on the Bonds of 6.15%, Special Tax revenues generated by the Maximum Tax would provide debt service coverage of 1.10:1.

Flow of Funds

All proceeds of the Special Taxes (including any prepayments thereof and the proceeds from the sale of property collected pursuant to the foreclosure provisions of the Indenture for the delinquency of Special Taxes and proceeds from any security for payment of Special Taxes, taken in lieu of foreclosure, but excluding amounts held in the Rebate Fund), are required to be deposited into the Special Tax Fund held by the Treasurer of the Agency and are pledged to the payment of the Bonds.

Priority of Deposits. All money in the Special Tax Fund is required to be transferred by the Treasurer to the Trustee for deposit, or in the case of the Prepayment Fund and the Community Fund (which are held by the Treasurer) deposited, in the following funds in the following order of priority:

- (1) Redemption Fund;
- (2) Bond Reserve Fund;
- (3) Expense Fund;
- (4) Prepayment Fund; and
- (5) Community Facilities Fund.

Redemption Fund. On or before April 1 and October 1 of each year, the Treasurer is required to transfer from the money in the Special Tax Fund to the Trustee for deposit into the Redemption Fund an amount equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such dates; and at least three Business Days prior to October 1 of each year, the Trustee is required to deposit into the Redemption Fund an amount of money equal to the aggregate amount of principal becoming due and payable on all Outstanding Serial Bonds and the Minimum Sinking Fund Account Payment due on such date.

Bond Reserve Fund. On or before April 1 and October 1 of each year, the Treasurer is required to transfer from the money remaining in the Special Tax Fund to the Trustee for deposit into the Bond Reserve Fund such amount as is required to restore the Bond Reserve Fund to an amount equal to the Required Bond Reserve. No deposit need be made into the Bond Reserve Fund if the amount of money contained therein is at least equal to the Required Bond Reserve.

Expense Fund. On or before April 1 and October 1 of each year, the Treasurer is required to transfer from the money remaining in the Special Tax Fund to the Trustee for deposit into the Expense Account a sum equal to the amount required by the Agency for the payment of budgeted Expenses during the six-month period commencing on such date, or to reimburse the Agency for payment of unbudgeted Expenses during the prior six-month period.

Prepayment Fund. The Treasurer shall transfer and deposit all money received from prepayments of the Special Tax (including any prepayments of the Special Tax pursuant to Section 53317.5 of the Act) to the Prepayment Fund, along with moneys transferred from the Bond Reserve Fund as the result of such prepayments, and such amounts are required to be used to redeem, as set forth in the Indenture, an amount of Bonds equal to the amount of such moneys so deposited, less the amount necessary to pay the redemption premium on such Bonds.

Community Facilities Fund. All money remaining in the Special Tax Fund on October 1 of each year after making the foregoing deposits is required to be withdrawn by the Treasurer from the Special Tax Fund and deposited into the Community Facilities Fund held by the Treasurer. All moneys in the Community Facilities Fund are required to be used by the Agency to construct or acquire Facilities or otherwise for the benefit of the District.

Bond Reserve Fund

There shall be maintained in the Bond Reserve Fund an amount equal to the Required Bond Reserve. The term Required Bond Reserve is defined as, as of any date of calculation, the least of (a) ten percent (10%) of the original principal amount of the Bonds, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed by the Agency under the Code and specified in writing by the Trustee. However, the Agency may provide for the Bond Reserve Fund by a policy of insurance company, the claims paying ability of which is rated in the highest rating category of Moody's and S&P, or by a letter of credit or other credit facility issued by a bank or other financial institution the obligations of which are rated in not lower than the three highest categories of Moody's Investor's Service and Standard & Poor's Ratings Group. The initial deposit in the Bond Reserve Fund will be \$314,422.50.

The Trustee is responsible for valuation of all investments in the Bond Reserve Fund. Such investments shall be valued at the face value thereof if such investments mature within twelve (12) months from the date of valuation, or if such investments mature more than twelve (12) months after the date of valuation, at the price at which such investments are redeemable by the Trustee at his option, if so redeemable, or if not so redeemable, at the lesser of: (i) the cost of such investments plus the amortization of any premium or minus the amortization of any discount; or (ii) the market value of such investments, and for this latter purpose, market value on any such date shall mean the last reported transaction price of such investments or, if not

reported, the mean of the closing bid and asked prices of such investments on the next preceding Business day as reported in The Wall Street Journal (or, if such publication is unavailable, in such other financial publication of national standing as may be selected by the Trustee), except that as to any investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal, market value shall mean the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in his sole discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service.

All money in the Bond Reserve Fund will be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds in the event there is insufficient money in the Redemption Fund available for this purpose, or in the event the Special Tax on a lot or parcel is prepaid pursuant to the Indenture; provided, that if as a result of any of the foregoing valuations it is determined that the amount of money in the Bond Reserve Fund exceeds the Required Bond Reserve, the Trustee shall withdraw the amount of money representing such excess from such Fund and deposit such amount in the Redemption Fund.

Teeter Plan

The City is located within Contra Costa County, which is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan." The Law has authorized the use of the Teeter Plan for over 45 years.

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes, special taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the total then-prior years' delinquent secured special taxes, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The valuation of property is determined as of March 1 each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

See APPENDIX C—"ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND—Teeter Plan" for information concerning county-wide tax levies, delinquencies and tax losses reserve balances.

Covenant for Foreclosure

The Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, are subject to the same penalties and the same procedure, sale, and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

Pursuant to Section 53356.1 of the Act, in the event of any delinquency in the payment of the Special Tax, the Agency may order the institution of a Superior Court action to foreclose the lien therefor within specified time limits. In such an action, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale. Such judicial foreclosure action is not mandatory. However, the Agency has covenanted for the benefit of the Owners of the Bonds that it will annually on or before October 1 review the public records of the County of Contra Costa relating to the collection of the Special Tax collected in the prior Fiscal Year, and (a) on the basis of such review the Agency will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Law against the parcels that are delinquent in the payment of such Special Tax in such Fiscal Year by one thousand dollars (\$1,000) or more in order to enforce the lien of all such delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale, and (b) on the further basis of such review, if the Agency determines that the total amount so collected is less than ninety-five percent (95%) of the total amount of the Special Tax levied in such Fiscal Year, the Agency will, not later than the succeeding December 1, institute foreclosure proceedings as authorized by the Law against all parcels that are delinquent in the payment of such Special Tax in such Fiscal Year to enforce the lien of all the delinquent installments of such Special Tax, and will diligently prosecute and pursue such foreclosure proceedings to judgment and sale; provided, that any actions taken to enforce delinquent Special Tax liens shall be taken only consistent with Sections 53356.1 through 53356.7, both inclusive, of the Government Code of the State of California; and provided further, that the Agency shall not be obligated to enforce the lien of any delinquent installment of the Special Tax for any Fiscal Year in which the Agency shall have received one hundred percent (100%) of the amount of such installment from the County of Contra Costa pursuant to the so-called "Teeter Plan."

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds (if the Bond Reserve Fund has been depleted) pending such sales or the prosecution of such foreclosure proceedings and receipt by the Agency of the proceeds of sale. However, within the limits of the Special Tax, the Agency may adjust the Special Tax levied on Taxable Parcels in the District, subject to the limitation on the Maximum Special Tax, to provide an amount required to pay interest on, principal of, and redemption premiums, if any, on the Bonds, and the amount, if any, necessary to replenish the Bond Reserve Fund to an amount equal to the Required Bond Reserve for the Bonds and to pay all current Expenses for the District. There is, however, no assurance that the total amount of the Special Tax that could be levied and collected against Taxable Parcels in the District will be at all times sufficient to pay the amounts required to be paid by the Indenture, even if the Special Tax is levied at the Maximum Special Tax rates. See "SPECIAL RISK FACTORS—Maximum Special Tax."

No assurance can be given that the real property subject to sale or foreclosure will be sold, or if sold, that the proceeds of sale will be sufficient to pay any delinquent installments of the Special Tax. The Act does not require the Agency to purchase or otherwise acquire any lot or parcel of property to be sold if there is no other purchaser at such sale. The Act and the Indenture do specify that the Special Tax will have the same lien priority as for *ad valorem* property taxes in the case of delinquency. Section 53356.6 of the Act requires that property sold pursuant to foreclosure under the Act be sold for not less than the amount of judgment in the foreclosure action, plus post judgment interest and authorized costs, unless the consent of the owners of 75% of the Outstanding Bonds is obtained.

After the Agency has ordered a foreclosure action, it shall dismiss the action before judgment if the owner of the subject property (or any other person) pays all of the following amounts: the delinquent Special Tax on the subject property and all penalties, interests and costs accrued; costs of the foreclosure action; authorized attorneys fees; and the tax collector's authorized costs.

No Additional Bonds

The issuance of the Bonds will equal the maximum amount of Bonds which may be issued pursuant to the authorization under which the Bonds were issued. Therefore, no additional Bonds secured by the Special Tax may be issued.

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DEBT SERVICE SCHEDULE

Set forth in the table below are the interest, principal and total debt service requirements for the Bonds, assuming no redemptions are made other than scheduled mandatory sinking fund redemptions:

DEBT SERVICE SCHEDULE			
<u>Date</u> <u>(October 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Period</u> <u>Debt Service Total</u>
1999	—	\$224,776.26	\$224,776.26
2000	—	233,871.25	233,871.25
2001	\$80,000	233,871.25	313,871.25
2002	80,000	230,591.25	310,591.25
2003	85,000	227,191.25	312,191.25
2004	90,000	223,472.50	313,472.50
2005	95,000	219,422.50	314,422.50
2006	95,000	215,052.50	310,052.50
2007	100,000	210,587.50	310,587.50
2008	105,000	205,787.50	310,787.50
2009	110,000	200,642.50	310,642.50
2010	115,000	195,142.50	310,142.50
2011	125,000	189,335.00	314,335.00
2012	130,000	182,960.00	312,960.00
2013	135,000	176,265.00	311,265.00
2014	145,000	169,177.50	314,177.50
2015	150,000	161,565.00	311,565.00
2016	160,000	153,690.00	313,690.00
2017	165,000	145,290.00	310,290.00
2018	175,000	136,627.50	311,627.50
2019	185,000	127,440.00	312,440.00
2020	195,000	117,450.00	312,450.00
2021	205,000	106,920.00	311,920.00
2022	215,000	95,850.00	310,850.00
2023	225,000	84,240.00	309,240.00
2024	240,000	72,090.00	312,090.00
2025	255,000	59,130.00	314,130.00
2026	265,000	45,360.00	310,360.00
2027	280,000	31,050.00	311,050.00
2028	<u>295,000</u>	<u>15,930.00</u>	<u>310,930.00</u>
TOTAL	\$4,500,000	\$4,690,778.76	\$9,190,778.76

THE DISTRICT

General Description and Location of the District

The District is a community facilities district organized by the Redevelopment Agency Board under the Act for the purpose of providing for the acquisition and construction of certain public improvements to serve property within the District. The Agency established the District on September 22, 1998.

The District is located in the City of Richmond. The City of Richmond is located in the western section of the Contra Costa County in the San Francisco Bay Area, approximately 16 miles northeast of the City and County of San Francisco. See page 19 for a site location map of the District. See page 21 for an aerial photograph of the area encompassing the District. See page 23 for a diagram of the land use plan of the District.

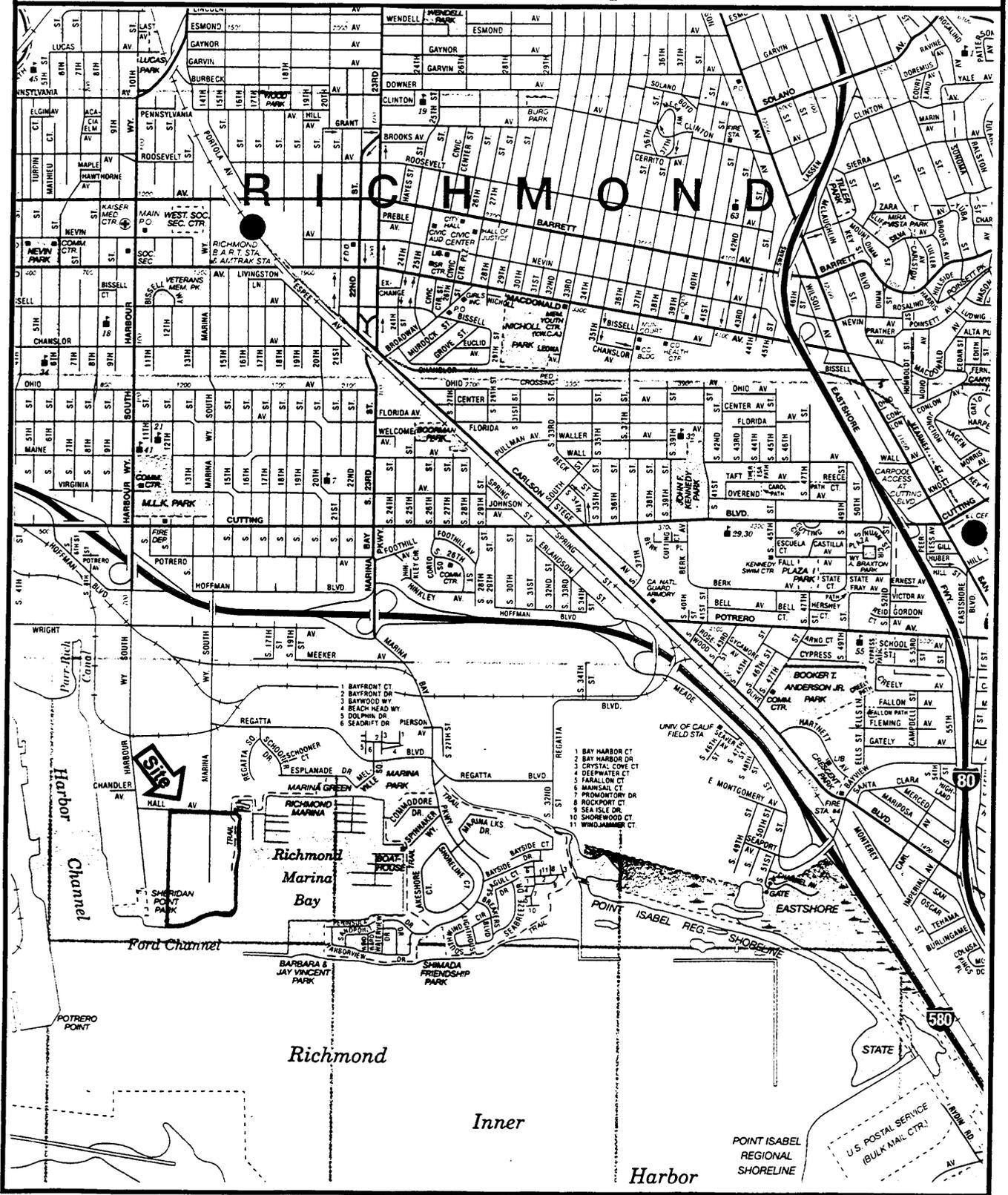
The District is located in the area of the City known as Marina Bay and is on the San Francisco Bay. The Richmond Marina area has historically been used for shipyard and other industrial uses but has in recent years been the site of various residential and commercial development projects.

Status of Development and Proposed Development

The land within the District consists of three parcels, two of which are currently developed. The first is a 4.65 acre-parcel ("Parcel A") owned by Marina Westshore Partners, LLC ("Marina Westshore"), the principal owner and managing member of which is Richard Poe, and is developed with two one-story office buildings built in 1990. The two buildings contain an aggregate of approximately 63,000 square feet. The second parcel ("Parcel B") consists of 4.25 acres and currently contains a one-story, approximately 65,000 square-foot office building also built in 1990. All of these existing buildings were built by Schooner Drive Associates, the then-owner of the parcels and are substantially fully leased. The third parcel ("Parcel C") consists of 10.68 acres and is currently owned by the Agency but will be conveyed to Marina Bay Partners, LLC ("Marina Bay") shortly after the issuance of the Bonds, the principal owner and managing member of which is also Richard Poe.

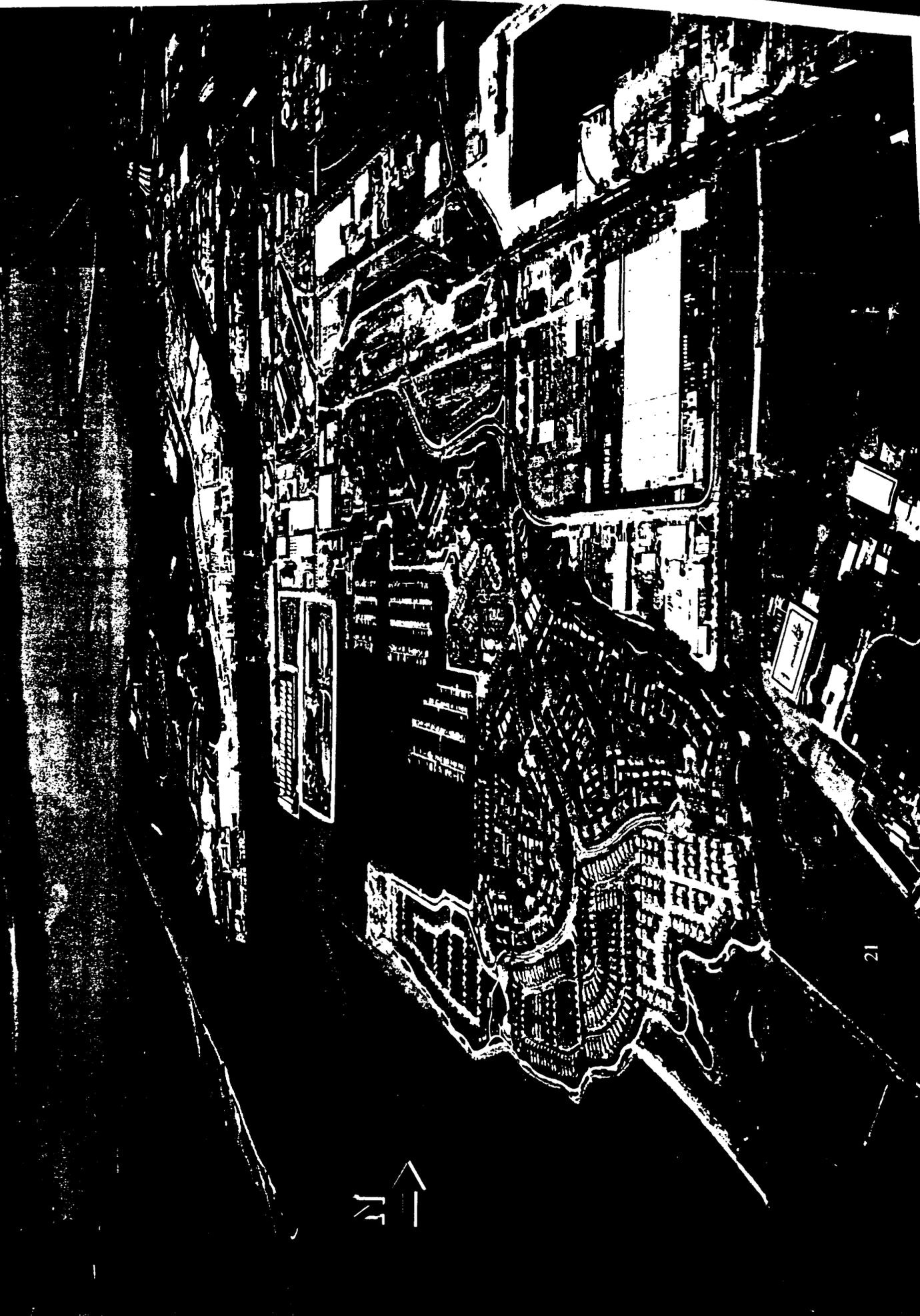
Marina Bay has stated that it intends to construct three additional office buildings, containing an aggregate of 220,000 square feet in the District. These proposed buildings would consist of two 60,000 square-foot buildings, one one-story building and one two-story building, and on Parcel C, a two-story 100,000 square-foot building. Marina Bay has stated that it intends to commence construction of the 100,000 square-foot building in Spring of 1999 with the remaining two buildings to be constructed in response to market demand. Marina Westshore and Marina Bay are collectively referred to as the "Developer." See "THE DEVELOPER."

Site Location Map



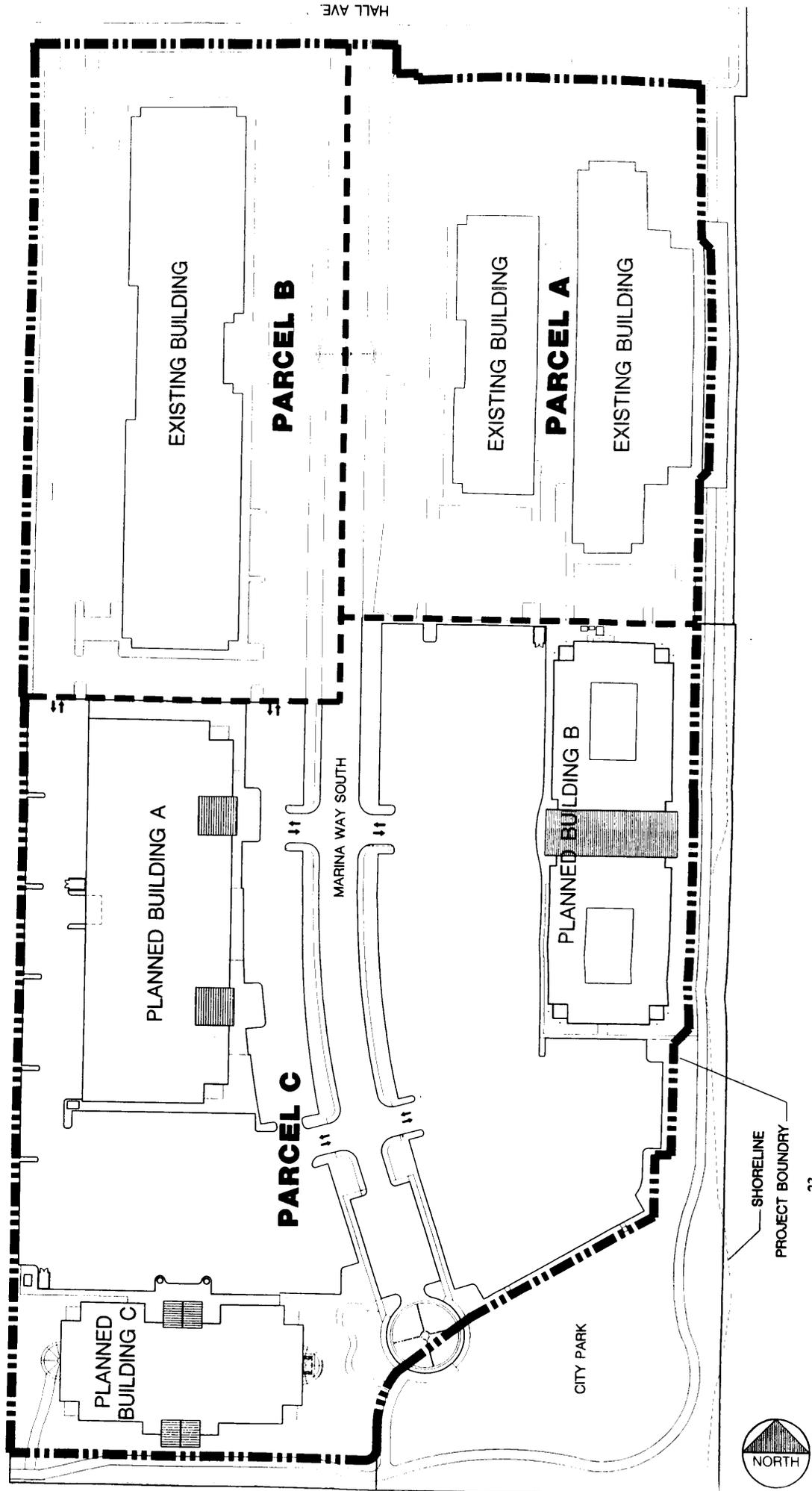
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**Richmond Redevelopment Agency
Community Facilities District No. 1998-1
Marina Westshore Development Project**



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MARINA WESTSHORE DEVELOPMENT PROJECT LAND USE PLAN



SHORELINE
PROJECT BOUNDARY



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Facilities to be Financed

The Bonds are being issued for the purpose of financing both the acquisition by the Agency of certain public capital improvements to be constructed by the Developer and certain public capital improvements to be undertaken by the Agency. These public capital improvements are collectively referred to as the "Facilities."

The Facilities include an extension of Marina Way South and related utilities to be constructed by the Developer, together with certain landscaping of a portion of Marina Way South, soil remediation on the site of the proposed new construction being undertaken jointly by the Developer and the Agency, construction of an esplanade and a park by the Agency, certain shoreline protection improvements to be undertaken by the Agency, and the construction of certain Northshore public improvements by the Agency, including the realignment and/or construction of Esplanade Drive, Village Drive and Regatta Square and associated improvements. The cost of each Facility is set forth below. Bond proceeds will be applied, together with Agency moneys, to these Facilities in the order of priority set forth below.

<u>Facility</u>	<u>Allocated Bond Proceeds</u>
Marina Way South	\$1,000,000
Soil Remediation	300,000
Esplanade, Park and Shoreline Protection ("Westshore Improvements")	1,800,000
Northshore Improvements and Railroad Crossing Improvements	500,000 ⁽¹⁾
Marina Way South Additional Landscaping	_____ ⁽²⁾
TOTAL	\$3,600,000

(1) Any amounts remaining in the Acquisition and Construction Fund following completion of Marina Way South, Soil Remediation and Westshore Improvements will be applied first to North Shore Improvements and second to Railroad Crossing Improvements.

(2) Bond proceeds will be applied to Marina Way South Additional Landscaping to the extent that the aggregate cost of Marina Way South and the Westshore Improvements is less than \$2,800,000.

Soil Remediation. A portion of the Bond proceeds will be applied to soil remediation activities within the District. Beginning in 1982, the Agency and others discovered certain toxic materials in various places within the Marina Bay area. Most of the toxic material was deposited in connection with the use of Marina Bay as a shipyard during World War II and was either covered over then or later. As development activities proceeded during the 1980's and 1990's within the Marina Bay area, toxic materials were found in various locations.

In 1994 and 1995 the City and the Agency reached settlements with two parties and obtained a federal district court judgment against a third, pursuant to which those parties agreed to pay a portion of the cost of remediating the Marina Bay area. Because a portion of the land to be remediated was owned by or reserved for the Developer, these activities were undertaken

jointly by the Agency and the Developer. For the contamination within the District, two principal techniques, each in accordance with State Environmental Protection Agency approval, have been applied: heavy metals have been concentrated under the roadway beds and "capped" with asphaltic concrete and hydrocarbons pollutants have been and/or are being bioremediated and monitored. Total remediation costs are estimated at \$875,000 (excluding certain "soft" costs incurred by the Agency prior to 1996). Westshore remediation activities are anticipated to be completed by early 1999.

Acquisition and Funding Agreement

The Agency and the Developer have entered into an Acquisition and Funding Agreement (the "Acquisition Agreement") relating to an extension of Marina Way South and additional landscaping of an existing portion of Marina Way South (the "Acquisition Facilities") providing in general that (a) the Agency will issue the Bonds to finance the cost of acquiring the Acquisition Facilities; (b) the Developer will proceed with due diligence to complete the construction of the Acquisition Facilities; and (c) the Developer agrees to sell the Acquisition Facilities to the City and the Agency agrees to accept and acquire the Acquisition Facilities at a cost not in the aggregate in excess of the lesser of \$1,000,000 or actual cost. Bond proceeds will be applied to additional landscaping only to the extent that less than \$1,000,000 is spent on the extension of Marina Way South and certain other Facilities.

The Developer has obtained all necessary and appropriate public agency approvals for the construction of the Facilities.

Land Values

The Agency caused the preparation of an Appraisal Report for the parcels within the District by Hulberg & Associates Inc. dated September 22, 1998 (the "Appraisal Report"). The Appraisal Report provides an estimate of \$21,100,000 as the fair market value of the parcels within the District as of September 11, 1998 based upon certain assumptions described therein. A copy of the Executive Summary to the Appraisal Report and certain of excerpts from the Appraisal Report are attached hereto as APPENDIX B—"EXCERPTS FROM THE APPRAISAL REPORT."

The Appraisal Report separately values the two developed parcels and the undeveloped parcel within the District as follows:

Parcels A and B (developed)	\$16,900,000
Parcel C (undeveloped)	\$4,200,000

The parcels in the District cannot be foreclosed upon as a whole to pay delinquent Special Taxes of the Developer. Rather, the individual parcels may be foreclosed upon to pay delinquent installments of the Special Tax levied against such parcels. The principal amount of the Bonds will not be allocated among the parcels within the District; rather, annually, the Special Tax (including the amount necessary to pay Debt Service on the Bonds) will be allocated among the parcels based upon the Special Tax Formula. **The Special Tax is annually levied only on developed property. Consequently, until development occurs on Parcel C, Bond**

Holders should consider only the value of Parcels A and B. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT—Analysis of Special Tax."

In considering the Appraisal Report and the estimates of value contained therein, it should be noted that the Appraisal Report is based upon a number of standard and special assumptions which affected the estimates as to value, including completion of the infrastructure improvements described under the caption "Facilities to be Financed" above. Because the Appraisal Report sets forth the appraiser's opinion as to value only as of September 11, 1998, it does not reflect any changes to value that might have occurred since that date or which may occur in the future.

For purposes of the appraiser's valuation of the property within the District, the Appraisal Report assumes fee simple ownership of the property, free and clear of any liens, including the lien of the Special Tax. Included among the assumptions made in the Appraisal Report are assumptions that no conditions exist that are not discoverable through normal, diligent investigation which would affect the use and the value of the property and that no hazardous material such as asbestos, ureaformaldehyde foam insulation or other potentially hazardous materials which may cause a loss in the value of property exists within the District. The appraiser did not observe any such material in the District; however, it expressly disclaims in the Appraisal Report any expertise with respect to detection of such substances or responsibility for such substances. The appraiser assumes no responsibility for building permits, zoning changes, engineering or other services or duty connected with the legal use of the property. For a description of certain of the assumptions made in the Appraisal Report, see APPENDIX B—"EXCERPTS FROM THE APPRAISAL REPORT." For a description of certain risks that might affect the assumptions made in the Appraisal Report, see "SPECIAL RISK FACTORS—Land Values."

The complete Appraisal Report is on file with the Agency and available for public inspection at the office of the Treasurer of the Agency, the Finance Director of the City, City of Richmond, City Hall, 2600 Barrett Avenue, Richmond, California 94804. The conclusions reached in the Appraisal Report, and the summary thereof contained in the Executive Summary, are subject to certain assumptions and qualifications which are set forth in the Appraisal Report. The information contained herein is a summary only of certain information contained in the Appraisal Report, and such information, and the excerpts therefrom attached as APPENDIX B, are qualified in their entirety by the Appraisal Report, which is incorporated herein by this reference.

Assessed Valuation

The gross assessed valuation of property in the District for the Fiscal Year 1998/99 was \$10,794,376, which includes only Parcels A and B. Parcel C, which is currently owned by the Agency, but which will be conveyed to the Developer following issuance of the Bonds, is estimated to have a value of \$4,200,000, which the Agency expects to, upon such conveyance, become its assessed value. This assessed value of real property generally may not be representative of the actual market value of the property in the District, however, since Article XIII A of the California Constitution limits any increase in assessed value to no more than 2% per year unless property is sold or transferred. As a consequence, assessed values are typically less than actual market values unless the property has recently changed ownership.

Value-to-Lien Ratios

Based upon the appraised value of the property within the District of \$21,100,000 (see "Land Values" above), and a principal amount of Bonds \$4,500,000, the overall value-to-lien ratio is 4.69:1. However, until development occurs on Parcel C, no Special Tax will be levied on such parcel. Therefore, the Bond Holders should consider the value only of Parcels A and B in determining an initial "effective" value-to-lien ratio. See "SECURITY FOR THE BONDS AND SOURCES OF PAYMENT—Special Tax Analysis" and "Land Values" above. Based upon the appraised value of Parcels A and B of \$16,900,000, the initial "effective" value-to-lien ratio is 3.76:1.

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Direct and Overlapping Debt

I. ASSESSED VALUE

1998-99 Secured Roll Assessed Valuation: \$10,794,376

II. SECURED PROPERTY TAX ROLL

<u>Description on Tax Bill</u>	<u>Type</u>	<u>Total Levy</u>	<u>% Applicable</u>	<u>Parcels Applicable</u>	<u>Levy Amount</u>
General Tax Levy	1%	\$706,498,939	0.01528	2	\$107,944
City of Richmond Debt Service	PEN	\$8,913,505	0.16954	2	\$15,112
City of Richmond Storm Drainage	DRN	\$1,510,716	0.06798	2	\$1,027
East Bay Regional Park District	GO	\$6,499,780	0.01528	2	\$993
East Bay Trails Landscape & Lighting	LLD	\$1,599,466	0.00069	2	\$11
Emergency Medical Fees	MED	\$4,179,740	0.00144	2	\$60
San Francisco Bay Area Rapid Transit	GO	\$11,798,532	0.01528	2	\$1,803
Sewer Service Charge	SWR	\$5,761,077	0.10698	2	\$6,163
Vector Control	BUGS	\$1,322,714	0.00083	2	\$11
West Contra Costs Unified School	GO	\$742,403	0.08863	2	\$658
1997-98 TOTAL PROPERTY TAX LIABILITY					\$133,782
TOTAL PROPERTY TAX AS A PERCENTAGE OF 1998-99 ASSESSED VALUATION					1.24%

III. LAND SECURED BOND INDEBTEDNESS

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels Applicable</u>	<u>Amount of Debt</u>
Richmond RDA CFD No. 1988-1	CFD	\$4,500,000	\$4,500,000	100.0	2	\$4,500,000
TOTAL LAND SECURED BONDED DEBT⁽¹⁾						\$4,500,000
<u>Authorized Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels Applicable</u>	<u>Amount</u>
Richmond RDA CFD No. 1988-1	CFD	\$4,500,000	\$0	100.0	2	\$0
TOTAL UNISSUED LAND SECURED BONDED DEBT⁽¹⁾						\$0
TOTAL OUTSTANDING AND UNISSUED LAND SECURED BONDED INDEBTEDNESS						\$4,500,000

IV. GENERAL OBLIGATION BOND INDEBTEDNESS

<u>Outstanding Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Issued</u>	<u>Outstanding</u>	<u>% Applicable</u>	<u>Parcels Applicable</u>	<u>Amount of Debt</u>
San Francisco Bay Area Rapid Transit	GO	\$792,000,000	\$41,125,000	0.01528	2	\$6,284
East Bay Regional Park District	GO	\$150,000,000	\$137,245,000	0.01528	2	\$20,971
West Contra Costa Unified Schools	GO	\$10,000,000	\$10,000,000	0.08869	2	\$8,869
TOTAL GENERAL OBLIGATION BONDED DEBT⁽¹⁾						\$36,124
<u>Authorized Direct and Overlapping Bonded Debt</u>	<u>Type</u>	<u>Authorized</u>	<u>Unissued</u>	<u>% Applicable</u>	<u>Parcels Applicable</u>	<u>Amount</u>
San Francisco Bay Area Rapid Transit	GO	\$792,000,000	\$0	0.01528	2	\$0
East Bay Regional Park District	GO	\$225,000,000	\$75,000,000	0.01528	2	\$11,460
West Contra Costa Unified School District	GO	\$40,000,000	\$30,000,000	0.08869	2	\$26,607
TOTAL UNISSUED GENERAL OBLIGATION BONDED DEBT⁽¹⁾						\$38,067
TOTAL OUTSTANDING AND UNISSUED GENERAL OBLIGATION BONDED INDEBTEDNESS						\$74,191

Total of All Outstanding Direct and Overlapping Bonded Debt	\$4,536,124
Assessed Value to All Outstanding Direct and Overlapping Bonded Debt	2.4:1
Total of All Outstanding and Unissued Direct and Overlapping Bonded Debt	\$4,574,191
Assessed Value to All Outstanding and Unissued Direct and Overlapping Bonded Debt	2.4:1

⁽¹⁾ Additional bonded debt or available authorization may exist but is not shown because a tax was not levied for the referenced fiscal year.

Source: The Government Finance Group.

THE DEVELOPER

The Special Tax is not a personal obligation of the Developer, the sole owner of the property within the District. The information set forth below has been provided by the sole property owner and Developer and has not been independently verified by the Agency.

General

Marina Westshore Partners, LLC ("Marina Westshore") owns the two currently-developed parcels in the District. Marina Westshore is a California limited liability company, which is 95% owned by Richard Poe. Mr. Poe is the managing member of Marina Westshore. Marina Westshore is the assignee of certain development rights of the Penterra Company, the master developer of the Marina Bay area.

Following issuance of the Bonds, the Agency will convey one parcel to Marina Bay Partners, LLC ("Marina Bay"). Marina Bay is a California limited liability company, which is 95% owned by Richard Poe. Mr. Poe is the managing member of Marina Bay.

Marina Westshore and Marina Bay are collectively referred to in this Official Statement as the "Developer."

Richard Poe is also the president of the Penterra Company and has been involved in development within the City since 1985. The Penterra Company was formed by Richard and Robert Poe for the purpose of developing the Marina Bay master planned community in the City, which includes the District. In its role as master developer, the Penterra Company or its nominee under the master development agreement has completed and occupied over 2,000 residential units, including single family homes, condominiums, townhouses and apartment units, and over 300,000 square feet of office and biotech laboratory space in the Marina Bay development. In addition, Mr. Poe has been involved in developing a large master plan development in Hercules, California, which includes over 100,000 square feet of retail space and over 150 residential units.

Developer's Equity in the Development

The appraised value of the real property and improvements in the District is \$21,100,000. There is currently a first-lien deed of trust recorded on the property securing an \$11,950,000 loan and a Special Tax burden of \$4,500,000, the principal amount of the Bonds. Therefore, the Developer's equity in the development in the District, upon conveyance of the undeveloped parcel to the Developer, will be equal to \$4,650,000.

Secured Property Taxes, Levies and Collections

The records of the County of Contra Costa Treasurer-Tax Collector indicate that through the 1997-98 Fiscal Year, the Developer is current on all *ad valorem* property tax and Special Tax on the property within the District.

THE AGENCY

General

The Agency is a public body, corporate and politic, formed by the City Council of the City to undertake redevelopment activities in "blighted areas." The City of Richmond (the "City"), located 16 miles northeast of San Francisco on the western shore of Contra Costa County, occupies 33.7 square miles of land area on a peninsula that separates San Francisco Bay and San Pablo Bay. Richmond is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area along the I-80 and I-580 Freeway corridors and along the new Richmond Parkway, are adding substantially to the tax base.

Demographic information concerning the City is set forth in APPENDIX C—"ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE CITY OF RICHMOND."

All powers of the Agency are vested in its nine members, which are the Mayor and members of the City Council of the City of Richmond. They are charged with the responsibility of eliminating blight through the process of redevelopment. Generally, this process is culminated when the Agency disposes of land for development by the private sector. In order to accomplish this the Agency has broad authority to acquire, develop, administer, sell or lease property, including the right of eminent domain and the authority to issue bonds and expend their proceeds.

Year 2000 Compliance

The operations of the Agency, the City, the District, the County of Contra Costa (the "County") and the Trustee, like those of many other business entities, may be impacted by the inability of certain computer programs and electronic systems with imbedded microprocessor chips to recognize calendar dates beyond the year 1999. Unless such programs or microprocessors are modified or replaced prior to the year 2000, they may not function properly after 1999.

Year 2000 compliance is being undertaken by the City's Information Technology Department. In terms of financial operations generally, the City's accounting, purchasing and budgeting software have all been recently determined to be year 2000 compliant.

The City's Audit Department inquired into year 2000 compliance by its relevant contractors, including its various depository and safekeeping banks as well as its retained primary dealers in Treasury Securities. Each of these institutions has advised the City that year 2000 compliance efforts are underway and that year 2000 compliance will be achieved.

The City has significant interface systems with third parties, including but not limited to, the County, the Trustee and DTC. Such interface could result in year 2000 problems. Although the City has its own task force working to resolve its year 2000 issues, there is no guarantee that the systems of the third parties upon which the City's operations or systems rely will be timely

converted and will not have an adverse effect on the City's operations. In addition, timely payment of the Bonds depends on the systems of the County of Contra Costa, the Trustee and DTC, and there can be no assurance that these systems will be timely converted and will not have an adverse effect on the collection and distribution of amounts necessary to pay the principal of and interest on the Bonds.

The County has informed the Agency that it is in the process of upgrading its computer systems responsible for property taxes, assessments and special taxes for year 2000 compliance. The County is in the final testing phase of the upgrade and anticipates year 2000 compliance by the end of 1999.

Information concerning year 2000 compliance by DTC is set forth in APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM—Year 2000 Compliance."

SPECIAL RISK FACTORS

The following factors should be considered together with all other information presented in this Official Statement by potential investors in evaluating the Bonds. The following statements do not purport to be a complete statement of all factors which may be considered as risks in evaluating the Bonds.

Collection of the Special Tax

To enable the Agency to pay debt service on the Bonds, it is necessary that the Special Tax levied against land in the District be paid in a timely manner. Should the Special Tax not be paid on time, the Agency has established the Bond Reserve Fund in the amount of the Required Bond Reserve to pay debt service on the Bonds.

The Indenture provides that the Special Tax is to be collected in the same manner as ordinary *ad valorem* property taxes are collected and, except as provided in the special covenant for foreclosure described below and in the Act, is to be subject to the same penalties and the same procedure, sale and lien priority in case of delinquency as is provided for *ad valorem* property taxes.

In the event that sales or foreclosures of property are necessary, there could be a delay in payments to Owners of the Bonds pending such sales or the prosecution of foreclosure proceedings and receipt by the Agency of the proceeds of sale if the Bond Reserve Fund is depleted. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant for Foreclosure."

The Agency may be unable to make full or timely payment of debt service on the Bonds if property owners in the District fail to pay installments of the Special Tax when due, if the Bond Reserve Fund is depleted, or if the Agency is unable to sell foreclosed parcels for amounts sufficient to cover the delinquent installments of the Special Tax.

Concentration of Property Ownership

All of the taxable property in the District is currently owned by the Developer. See "THE DEVELOPER." Such concentration of ownership means the timely payment of the Bonds is dependent upon the continued willingness and ability of the Developer to pay the Special Tax when due. A failure of the Developer to pay installments of the Special Tax when due could result in the rapid total depletion of the Bond Reserve Fund prior to reimbursement from the resale of foreclosed property or payment of the delinquent Special Tax and, consequently, an insufficiency of Special Tax to meet obligations under the Indenture. In that event, there could be a delay or failure in payments of the principal of and interest on the Bonds. The Agency has covenanted for the benefit of the owners of the Bonds that the Agency will initiate judicial foreclosure proceedings under certain conditions in the event of a delinquency in payment of one or more installments of the Special Tax as more fully described herein. Although the only asset of the Developer which constitutes security for the payment of the Special Tax is his or her property holdings located in the District, the overall financial condition of the Developer may affect the owner's willingness or ability to pay installments of the Special Tax when due. See "Bankruptcy" below and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Covenant for Foreclosure."

Payment of the Special Tax is Not a Personal Obligation of the Developer

AN OWNER OF A PARCEL IS NOT PERSONALLY OBLIGATED TO PAY THE SPECIAL TAX. RATHER, THE SPECIAL TAX IS AN OBLIGATION ONLY AGAINST THE PARCELS. IF THE VALUE OF A PARCEL IS NOT SUFFICIENT, TAKING INTO ACCOUNT OTHER OBLIGATIONS ALSO PAYABLE THEREBY, TO FULLY SECURE THE SPECIAL TAX, THE AGENCY HAS NO RECOURSE AGAINST THE OWNER.

Land Values

The value of taxable land in the District is a critical factor in determining the investment quality of the Bonds. The Agency has been furnished with the Appraisal Report prepared by Hulberg & Associates Inc. Excerpts from the Appraisal Report are contained in APPENDIX B. Copies of the complete Appraisal Report are available upon request from the Treasurer of the Agency. The Appraisal Report makes certain standard and special assumptions which are included in APPENDIX B and which should be reviewed carefully. Several of these assumptions could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value.

The appraised value is merely the present opinion of the particular appraiser. The Agency has not sought the present opinion of any other appraiser of the value of the Taxable Parcels. A different present opinion of such value might be rendered by a different appraiser.

Further, one of the qualifications of the opinion of the appraiser disclaims the effect of market factors. The opinion relates to sale by a willing seller to a willing buyer, each having similar information and neither being forced by other circumstances to sell nor to buy. Consequently, the opinion is of limited use in predicting the selling price at a foreclosure sale, because such a sale is forced and the buyer may not have the benefit of full information.

The estimated fair market value of the parcels in the District varies significantly and the estimated fair market value of any parcel relative to the amount of the Special Tax levied on that parcel also varies significantly.

If a property owner defaults in the payment of the Special Tax, the Agency's only remedy is to foreclose on the delinquent property in an attempt to obtain funds with which to pay the delinquent Special Tax. Land values could be adversely affected by economic factors beyond the District's control, such as relocation of employers out of the area, or destruction of property caused by, among other eventualities, earthquake, flood or other natural disaster, or by environmental pollution or contamination.

Because the Appraisal Report is based upon a variety of assumptions and limiting conditions, the prospective purchasers of the Bonds should not assume that the property in the District could be sold for the appraised amount at a foreclosure sale for delinquent Special Tax. The actual value of the property is subject to future events which might render invalid the assumptions relied upon by the appraiser in determining the appraised value.

The Agency makes no representations as to the value of the property in the District.

Parity Taxes and Special Assessments

The ability or willingness of a property owner in the District to pay the Special Tax could be affected by the existence of other taxes and assessments imposed upon the property. The Special Tax and any penalties thereon will constitute a lien against the lots and parcels of land on which they will be annually imposed until they are paid. Such lien is on a parity with all Special Tax and special assessments levied by other agencies and is co-equal to and independent of the lien for general property taxes, other Special Tax, and certain special assessments regardless of when they are imposed upon the same property. The Special Tax has priority over all existing and future private liens imposed on the property. In addition, other public agencies whose boundaries overlap those of the District could, with or in some circumstances without the consent of the owners of the land in the District, impose additional taxes or assessment liens on the property in the District in order to finance public improvements to be located inside or outside of the District.

The Agency and the District, however, have no control over the ability of other entities and districts to issue indebtedness secured by Special Tax or assessments payable from all or a portion of the property in the District. In addition, neither the Agency nor the City has prohibited itself from establishing assessment districts, community facilities districts or other districts which might impose assessments or taxes against property in the District. In the event any additional improvements or fees are financed pursuant to the establishment of an assessment district, community facilities district or other district, any taxes or assessments levied to finance such improvements will have a lien on a parity with the lien of the Special Tax. The imposition of additional liens on a parity with the Special Tax could reduce the ability or willingness of the landowners to pay the Special Tax and increases the possibility that foreclosure proceeds will not be adequate to pay delinquent Special Tax or the principal of and interest on the Bonds when due. See "THE DISTRICT—Direct and Overlapping Bonded Indebtedness."

Bankruptcy

The payment of the Special Tax and the ability of the Agency to foreclose the lien of a delinquent unpaid tax, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights or by the laws of the State of California 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. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving legal opinion, the form of which is set forth as APPENDIX F) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the lien of the Special Tax to become extinguished, bankruptcy of the Developer or other 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. Any such delays would increase the likelihood of a delay or default in payment of the principal of and interest on the Bonds and the possibility of delinquent tax installments not being paid in full. To the extent that property in the District continues to be owned by a single or a limited number of property owners, the chances are increased that the Bond Reserve Fund could be fully depleted during any such delay in obtaining payment of delinquent Special Tax. As a result, sufficient moneys would not be available in the Bond Reserve Fund for transfer to the Redemption Fund to make up shortfalls resulting from delinquent payments of the Special Tax and thereby to pay principal of and interest on the Bonds on a timely basis. Further, should remedies be exercised under the federal bankruptcy laws, payment of the Special Tax may be subordinated to bankruptcy law priorities. Thus, certain claims may have priority over the Special Tax in a bankruptcy proceeding even though they would not outside of a bankruptcy proceeding.

Geologic, Topographic and Climatic Conditions

The market value of the parcels can be adversely affected by a variety of factors, particularly those which may affect infrastructure and other public improvements and private improvements of the parcels and the continued habitability and enjoyment of such public and private improvements. Such factors include, without limitation, geologic conditions (such as earthquakes), topographic conditions (such as earth movements and floods) and climatic conditions (such as droughts and storms). The City of Richmond, much like most of the San Francisco Bay area, is in a known earthquake region.

Earthquake Risk

There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the District. In addition to the San Andreas Fault, faults that could affect the District include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County.

The City, like most of the San Francisco Bay area, is in a known earthquake region. In addition, the real property within the District is comprised primarily of marshlands which were "filled." Structures erected on real property comprised of "fill" are more susceptible to damage in an earthquake due to the greater shifting of such land which may occur. Substantial damage to, or destruction of, the structures within the District would lower the value of the land in the District and could also detrimentally affect the ability or willingness of the property owner or owners to pay the Special Tax.

Hazardous Substances

While governmental taxes, assessments, and charges are a common claim against the value of a Taxable Parcel, other less common claims may be relevant. One of the most serious in terms of the potential reduction in the value of a parcel in the District is a claim with regard to a hazardous substance. In general, the owners and operators of a Taxable Parcel may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the parcels be affected by a hazardous substance is to reduce the marketability and value of the parcel by the costs of remedying the condition, because the purchaser, upon becoming owner, will become obligated to remedy the condition just as is the seller. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the financial and legal liability of a property owner to develop the affected parcel or other parcels, as well as the value of the property that is realizable upon a delinquency and foreclosure.

The valuation of property in the District in the Appraisal Report does not take into account the possible reduction in marketability and value of any of the Taxable Parcels by reason of the possible liability of the owner (or operator) for the remedy of a hazardous substance condition of the parcel. See "THE DISTRICT—Facilities to be Financed—Soil Remediation" for a discussion of certain activities within the District relative to hazardous substances.

Further, it is possible that liabilities may arise in the future with respect to any of the parcels resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance

not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of a Taxable Parcel that is realizable upon a delinquency.

No Acceleration Provision

The Indenture does not contain a provision allowing for the acceleration of the Bonds in the event of a payment default or other default under the terms of the Bonds or the Indenture. Pursuant to the Indenture, any Owner of any of the Bonds is given the right for the equal benefit and protection of all Owners similarly situated to pursue certain remedies described under "THE INDENTURE—Remedies of Owners."

Loss of Tax Exemption

As discussed under "TAX MATTERS," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance, as a result of acts or omissions of the Agency subsequent to the issuance of the Bonds in violation of the Agency's covenants with respect to the Bonds. Should interest become includable in gross income, the Bonds are not subject to redemption by reason thereof and will remain outstanding until maturity or unless earlier redeemed pursuant to optional or mandatory redemption or redemption upon prepayment of the Special Tax.

Absence of Secondary Market for the Bonds

No application has been made for a credit rating for the Bonds, and it is not known whether a credit rating could be secured either now or in the future for the Bonds. There can be no assurance that there will ever be a secondary market for purchase or sale of the Bonds. From time to time there may be no market for them, depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, the financial condition and results of operations of the owners of property located within the boundaries of the District, and the extent of the proposed development of the parcels in the District. The Bonds should therefore be considered long-term investments in which funds are committed to maturity, subject to redemption prior to maturity as described herein.

LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX F—"PROPOSED FORM OF OPINION OF BOND COUNSEL" to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the Agency by the Agency Counsel. Certain other legal matters will be passed on for the Agency and the Underwriter by Lofton De Lancie, Disclosure Counsel.

The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes. A copy of the form of opinion of Bond Counsel is set forth in APPENDIX E hereto.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Agency has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes. However, Bond Counsel observes that interest on the Bonds is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally-recognized bond counsel. Bond Counsel expresses no opinions as to any or the interest thereon if any such change occurs or action is taken upon the advice or approval of a law firm other than itself.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from federal gross income, the accrual or receipt of interest on the Bonds may otherwise affect a Bondholder's federal income tax liability. The nature and extent of these other consequences will depend upon the holder's particular tax status and the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

NO LITIGATION

At the time of delivery of and payment for the Bonds, the Agency will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory agency, public board or body pending or threatened against the Agency or the District affecting their existence, or the titles of their respective officers, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of the Special Tax to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, any agreements entered into between the Agency and the Underwriter, or any other applicable agreements or any action of the Agency or the District contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Agency or the District or their authority with respect to the Bonds or any action of the Agency or the District contemplated by any of said documents, nor, to the knowledge of the Agency, is there any basis therefor.

NO RATING

The Agency has not made and does not contemplate making an application to any rating agency for the assignment of a rating to the Bonds. There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that such 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 then prevailing circumstances. Such prices could be substantially different from the original purchase price.

UNDERWRITING

The Bonds were purchased through negotiation by Westhoff, Cone & Holmstedt at a price of \$4,377,100, which is equal to the principal amount of Bonds, less the original issue discount of \$32,900 and less the underwriter's discount of \$90,000. Westhoff, Cone & Holmstedt may change the initial public offering prices set forth on the cover page. Westhoff, Cone & Holmstedt may offer and sell the Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the Owners to provide certain financial information and operating data relating to the District by not later than 270 days following the end of the Agency's fiscal year (which currently would be June 30) commencing with the report for the 1998-99 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX D—"FORM OF THE AGENCY'S CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The Developer has covenanted for the benefit of the Owners to provide certain information and operating data relating to the District by not later than 180 days following the end of the Agency's fiscal year (which currently would be June 30) commencing with the report for the 1998-99 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Developer with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Developer with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained within APPENDIX E—"FORM OF THE DEVELOPER'S CONTINUING DISCLOSURE AGREEMENT."

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MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Agency or the District and the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the District since the date hereof.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of such documents and reports are available for inspection at the office of the Redevelopment Director, Richmond Redevelopment Agency, 330 25th Street, Richmond, California 94804.

The execution and delivery of the Official Statement by the Agency have been duly authorized by the Agency Board of the Richmond Redevelopment Agency on behalf of the District.

RICHMOND REDEVELOPMENT AGENCY

By: /s/ DAVID S. THOMPSON

Administrator

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APPENDIX A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

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Richmond Redevelopment Agency
Community Facilities District No. 1998-1
(Marina Westshore Development Project)

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

1. Basis of Special Tax Levy

A Special Tax authorized under the Mello-Roos Community Facilities Act of 1982 (the "Act") applicable to the land in the Marina Westshore Development Project's Community Facilities District No. 1998-1 (the "CFD") of the Richmond Redevelopment Agency (the "Agency") shall be levied and collected according to the tax liability determined by the Agency through the application of the appropriate amount or rate, as described below.

2. Definitions

"Act" means the Mello-Roos Community Facilities Act of 1982, as amended, Sections 53311 and following of the California Government Code.

"Administrative Expenses" means the actual or estimated costs incurred by the Agency to determine, levy and collect the Special Taxes, including salaries of Agency employees and the fees of consultants, legal counsel, corporate bond-paying agents, fiscal agents, and bond trustees; the costs of collecting installments of the Special Taxes upon the general tax rolls; cost of arbitrage calculation and arbitrage rebates; preparation of required reports; and any other costs required to administer the CFD as determined by the Agency.

"Agency" means the Richmond Redevelopment Agency.

"Annual Costs" means, for any Fiscal Year, the total of the following:

- i) Debt Service for the Calendar Year commencing January 1 of such Fiscal Year through December 31 of the following Fiscal Year;
- ii) Administrative Expenses for such Fiscal Year;
- iii) Any amounts needed to replenish any bond reserve fund for bonds of the Agency issued for the CFD to the level required under the documents pursuant to which such bonds were issued;
- iv) An amount equal to the amount of delinquencies in payments of Special Taxes levied in the previous Fiscal Year and/or anticipated for the current Fiscal Year; and,
- v) Pay-as-you-go expenditures for Authorized Facilities to be constructed or acquired by the CFD;
- vi) Less earnings on the bond reserve fund pursuant to the bond indenture and any reimbursements.

The total Annual Costs shall be limited to that necessary to provide the Authorized Facilities.

"**Auditor-Controller**" means the Auditor-Controller of the County.

"**Authorized Facilities**" means those improvements, as listed in the Resolution forming the CFD.

"**Board**" means the Board of Directors of the Agency.

"**Bond Year**" means the 12-month period ending on the second bond payment date of each calendar year as defined in the resolution authorizing the issuance of bonds.

"**Building Square Footage**" means the total square feet of a building based the amount of square feet calculated for the building in determining its development impact fees for schools.

"**CFD**" means the Marina Westshore Development Project Community Facilities District No. 1998-1 of the Richmond Redevelopment Agency.

"**City**" means the City of Richmond, California.

"**County**" means Contra Costa County, California.

"**Debt Service**" means for each Fiscal Year or Bond Year, the total amount of principal and interest for any bonds, notes or certificates of participation of the Agency for the CFD during that Fiscal Year or Bond Year, less any applicable credits that may be available from any other sources available to the Agency to pay principal and interest for the previous or current Fiscal Year or Bond Year.

"**Developed Parcel**" means a Parcel with a completed building that has been issued a certificate of occupancy by the City.

"**Fiscal Year**" means the period starting July 1 and ending the following June 30.

"**Maximum Annual Cost**" means the greatest amount of Annual Cost that can be collected from the levy of Maximum Annual Special Taxes.

"**Maximum Annual Special Tax**" means the greatest amount of Special Tax that can be levied against a Parcel calculated by multiplying the Maximum Annual Special Tax Rate times the Building Square Footage for the Parcel.

"**Maximum Annual Special Tax Rate**" means the amount shown in Attachment 1, or as calculated based on the assignment of Maximum Annual Special Taxes in Section 4, that is

used in calculating the Maximum Annual Special Tax for a Parcel based on its Building Square Footage in a given Fiscal Year.

"Maximum Annual Special Tax Revenue" means the greatest amount of revenue that can be collected in total from a group of Parcels by levying the Maximum Annual Special Tax.

"Parcel" means any Assessor's Parcel in the CFD based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

"Parcel Number" means the Assessor's Parcel Number for any Parcel based on the equalized tax rolls of the County as of January 1 of each Fiscal Year.

"Partial Prepayment Parcel" means a Parcel that has permanently satisfied a portion of the Special Tax obligation by a cash settlement with the Agency as permitted under Government Code Section 53344 and described in Section 6.

"Partial Prepayment Factor" means a factor that is applied to the Maximum Annual Special Tax Rate of a Parcel classified as a Partial Prepayment Parcel. This factor is applied when the Prepayment is made as well as at any time that the Maximum Annual Special Tax Rate is recalculated.

"Prepayment" means the permanent satisfaction of all or a portion of the Special Tax obligation for one or more Parcels by a cash settlement with the Agency as permitted under Government Code Section 53344 and described in Section 6.

"Prepayment Parcel" means a Parcel that has permanently satisfied the entire Special Tax obligation by a cash settlement with the Agency as permitted under Government Code Section 53344 and described in Section 6.

"Public Parcel" means any Parcel, in its entirety, that is or is intended to be publicly owned in the Marina Westshore Development as approved by the City or Agency—or as subsequently designated by the City or Agency—that is normally exempt from the levy of general ad valorem property taxes under California law, including public streets; schools; parks; and public drainageways, public landscaping, wetlands, greenbelts, and public open space. Public Parcels are exempt from the levy of Special Taxes.

"Special Tax(es)" mean(s) any tax levy under the Act in the CFD.

"Tax Collection Schedule" means the document prepared by the Agency for the County Auditor-Controller to use in levying and collecting the Special Taxes each Fiscal Year.

"Taxable Parcel" means any Developed Parcel or Undeveloped Parcel.

"Tax-Exempt Parcel" means a Parcel not subject to the Special Tax. Tax-Exempt Parcels include: (i) Public Parcels (subject to the limitations set forth in Section 4, below), (ii) Undeveloped Parcels, and (iii) any Prepayment Parcel.

“Undeveloped Parcel” means any Parcel that is planned for development but can not yet be classified as a Developed Parcel.

3. Termination of the Special Tax

The Special Tax will be levied and collected from Taxable Parcels in the CFD for as long as needed to pay the principal and interest on debt for the Bonds issued to fund authorized facilities. However, in no event shall the Special Tax be levied after Fiscal Year 2029-2030.

When all of the bonds issued to pay for authorized facilities have been retired, the Special Tax shall cease to be levied. The Agency shall direct the County Recorder to record a Notice of Cessation of Special Tax. Such notice will state that the obligation to pay the Special Tax has ceased and that the lien imposed by the Notice of Special Tax Lien is extinguished.

4. Assignment of Maximum Annual Special Tax

Each year, prior to August 1, the Agency shall do the following:

A. Classify Parcels. The Agency shall prepare a list of the Parcels subject to the Special Tax using the records of the County Assessor and any other City or Agency records. The Agency shall identify the Taxable Parcels from a list of all Parcels within the CFD.

B. Calculate the Maximum Annual Special Tax Rate. The Maximum Annual Special Tax Rate shall be calculated each Fiscal Year by the following procedure:

- Sum the Building Square Footage for all buildings with certificates of occupancy on Developed Parcels.
- Divide the Maximum Annual Cost from Attachment 1 by the total Building Square Footage calculated above. The result of this calculation is the revised Maximum Annual Special Tax Rate.

C. Assign the Maximum Annual Special Tax. The Agency shall assign the appropriate Maximum Annual Special Tax for the Fiscal Year of the tax levy to each Taxable Parcel as follows:

1. Developed Parcels

The Maximum Annual Special Tax for a Developed Parcel is determined by multiplying the Maximum Special Tax Rate by the total Building Square Footage.

2. Developed Parcels Classified as Partial Prepayment Parcels

The Maximum Annual Special Tax for each Developed Parcel classified as a Partial Prepayment Parcel is assigned by multiplying the calculated Maximum Special Tax Rate by the Partial Prepayment Factor for that Parcel as calculated in Section 6, Part B.

D. Conversion of a Tax-Exempt Parcel to a Taxable Parcel. If a Tax-Exempt Parcel is not needed for public use and is converted to a taxable use, it shall become subject to the Special Tax. The Maximum Annual Special Tax for such a Parcel shall be assigned as described above.

E. Taxable Parcels Acquired by a Public Agency. Taxable Parcels that are acquired by a public agency after the CFD is formed will remain subject to the applicable Special Tax unless the Special Tax obligation is satisfied pursuant to Section 53317.5 of the Government Code.

5. Calculating Annual Special Taxes

The Agency shall compute the Annual Costs and determine the Maximum Annual Special Tax for each parcel based on the assignment in the Special Tax in Section 4. The Agency will then determine the tax levy for each Parcel using the following process:

- A. Compute the Annual Cost using the definition in Section 2 for the Fiscal Year.
- B. Divide the Annual Cost amount by the Maximum Annual Cost from **Attachment 1**.
- C. Multiply the factor calculated in B. above by the Maximum Annual Special Tax calculated for each Taxable Parcel in Section 4 to arrive at the Special Tax levy for each Parcel.
- D. Levy on each Taxable Parcel the amount calculated above.
- E. Prepare the Tax Collection Schedule listing the Special Tax levy for each Taxable Parcel and send it to the County Auditor-Controller requesting that it be placed on the general, secured property tax roll for the Fiscal Year. The Tax Collection Schedule shall not be sent later than the date required by the Auditor-Controller for such inclusion.

The Agency shall make every effort to correctly calculate the Special Tax for each Parcel. It shall be the burden of the owner of the Parcel levied a Special Tax to correct any errors in the determination of the parcels subject to the tax and their Special Tax assignments.

6. Prepayment of Special Tax Obligation

The Special Tax obligation of a Parcel may be permanently satisfied by a cash settlement with the Agency as permitted under Government Code Section 53344. Prepayment is permitted only under the following conditions:

- The Agency determines that the Prepayment of the Special Tax obligation does not jeopardize its ability to make timely payments of debt service on outstanding bonds.
- Any landowner prepaying the Special Tax obligation must pay any and all delinquent Special Taxes and penalties for the prepaying Parcel.
- The prepaying Parcel must be classified as a Developed Parcel.
- Prior to the calculation of the prepayment amount, the landowner must notify the Agency whether such landowner intends to execute a full Prepayment or Partial Prepayment. If the landowner intends to execute a Partial Prepayment, the landowner shall further notify the Agency of the dollar amount of the intended Prepayment.

The prepayment amount shall be established by following the steps in Part A, B, and D.

Part A: Prepayment of Outstanding Bonds

- Step A.1: Determine the Maximum Annual Special Tax for the Parcel based on the assignment of the Maximum Annual Special Tax described in Section 4 above.
- Step A.2: Determine the "Benefit Share" by dividing the Maximum Special Tax from Step A.1 by the Maximum CFD Revenue for all Taxable Parcels in the CFD at the time of the Prepayment.
- Step A.3: Determine the Bond Share for the Parcel by multiplying the Benefit Share From Step A.2 by the total amount of outstanding bonds issued by the CFD. The bond principal that will be retired in an upcoming Bond Year if Special Taxes have already been levied to pay Debt Service for that Bond Year shall reduce the amount of outstanding bonds.
- Step A.4: Determine the Reserve Fund Share associated with the Bond Share determined in Step A.3. The Reserve Fund Share is equal to the lesser of the reserve requirement on all outstanding bonds or the actual Reserve Fund amount multiplied by the Benefit Share. Reduce the Bond Share by the amount of the Reserve Fund Share to arrive at the total amount of bonds to be included in the Prepayment amount.
- Step A.5: Determine the total Prepayment amount required by adding to the Bond Share amount calculated in Step A.4 any fees, call premiums, amounts necessary to cover negative arbitrage from the date of the prepayment to first call date on the

bonds, and expenses incurred by the Agency in connection with the prepayment calculation or the application of the proceeds of the prepayment. If Special Taxes have already been levied, but not collected, at the time the prepayment is calculated, the owner of the Parcel(s) must pay the Special Taxes included on the property tax bill in addition to the prepayment amount.

Part B: Calculate the Partial Prepayment Factor

If the prepayment is a partial prepayment, then the property owner shall designate an amount which is less than the total prepayment amount determined above for the prepaying Parcel (or group of prepaying Parcels) that results in a bond call in a whole number multiple of \$5,000. The Agency shall then determine the Partial Prepayment Factor by the following procedure:

- Step B.1: Subtract the amount of the Partial Prepayment from the total amount of bonds included in the Prepayment amount calculated in Step A.4 above;
- Step B.2: Divide the result of Step B.1 by the total amount of bonds calculated for a Prepayment Parcel in Step A.4; and,
- Step B.3: If a Partial Prepayment had previously been made for this Parcel, multiply the result of Step B.2 times the previously calculated Partial Prepayment Factor.

Part C: Transfers

Make the appropriate transfers from the Reserve Fund to the prepayment fund, as follows:

- Step C.1: For a full prepayment transfer the amount of the Reserve Fund Share.
- Step C.2: For a partial prepayment, transfer an amount equal to the Reserve Fund Share times one minus the Partial Prepayment Factor.

7. Records Maintained for the CFD

As development and subdivision of the Marina Westshore Project occurs, the Agency will maintain a written record of the following information for each Parcel:

- the current Parcel Number;
- the Building Square Footage for each building on a Parcel;
- the Maximum Annual Special Taxes which applied in each Fiscal Year; and
- the authorized Special Taxes levied in each Fiscal Year.

The file containing the information listed above will be available for public inspection.

8. Appeals

Any taxpayer that feels that the amount of the Special Tax assigned to a Parcel is in error may file a notice with the Agency appealing the levy of the Special Tax. The Agency will then promptly review the appeal, and if necessary, meet with the applicant. If the Agency verifies that the tax should be modified or changed, a recommendation at that time will be made to the Board and, as appropriate, the Special Tax levy shall be corrected and, if applicable in any case, a refund shall be granted.

Interpretations may be made by Resolution of the Board for purposes of clarifying any vagueness or ambiguity as it relates to the calculation of the Maximum Annual Special Tax Rate, the method of apportionment, the classification of properties or any definition applicable to the CFD.

Attachment 1
Marina Westshore Development CFD No. 1998-1
Maximum Annual Costs and
Calculation of the Maximum Annual Special Tax Rate

Maximum Annual Cost [1]	<i>a</i>	\$384,016
Building Square Footage [2]	<i>b</i>	128,000
Maximum Annual Special Tax Rate For Developed Parcels [3]	$c = a / b$	\$3.00 <i>per Building Square Foot</i>

"a_1"

- [1] The Maximum Annual Cost is the highest amount of Maximum Special Tax Revenue that can be levied for the CFD. This amount will not change as additional development occurs.
- [2] Estimated Building Square Footage of buildings that have been granted certificates of occupancy as of the formation of the CFD. The actual Building Square Footage will be used to calculate the Maximum Annual Special Tax Rate on an annual basis.
- [3] The Maximum Annual Special Tax Rate is based on the Building Square Footage on two parcels at the formation of the CFD. This represents the estimated Maximum Annual Special Tax Rate. The actual Maximum Annual Special Tax Rate will be recalculated annually, as described in Section 4.

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APPENDIX B

EXCERPTS FROM THE APPRAISAL REPORT

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HULBERG & ASSOCIATES INC.
REAL ESTATE APPRAISERS

Silicon Valley Office

Norman C. Hulberg, MAI
Walter D. Carney, MAI

Claudia B. Carleton
Craig S. Engen
Janis A. Lassner, SRA
Charles R. Marqueling, ASA, SRA
Yvonne J. Broszus
Larry W. Hulberg
Victor A. Spano
Bradley J. Thompson

East Bay Office

Stephen D. Kuhnhoff, MAI, ASA

Paul M. Urvinitka
John D. Phillips
Georgia L. Kuhnhoff

September 22, 1998

Mr. Tom Mitchell
Richmond Redevelopment Agency
330 25th Street, 2nd Floor
Richmond, CA 94804

Dear Mr. Mitchell:

At your request, we have appraised the R&D buildings located at 1387-1401 and 1400-1402 Marina Way South in Richmond, California. The property is improved with three, one-story R&D buildings containing a total of 128,160 gross and 127,174 rentable square feet and constructed in 1990. The property is identified as Contra Costa County Assessor's Parcel Numbers 560-181-058 and 560-181-060. Both parcels are rectangular in shape and contain a total of 8.9 acres, or 387,976 square feet. The building is currently 100 percent occupied by five tenants.

In addition, we have appraised the vacant site located south of the above-mentioned property. The property appraised is a portion of a larger site identified as Contra Costa County Assessor's Parcel Number 560-270-056. This parcel contains approximately 14.4 gross acres. The Richmond Redevelopment Agency will develop the infrastructure including the extension of the Marina Way South right-of-way into the site, construct a two-acre public park and esplanade. The net area available for development will be 10.675 acres, or 465,013 square feet. This is the portion of the vacant parcel that is the subject of this appraisal.

The appraisal is made in compliance with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), and Richmond Redevelopment Agency, as we understand them.

The development of this appraisal is that of a complete appraisal in accordance with Uniform Standards of Professional Appraisal Practice (USPAP), Standard Rule 1. The report format is that of a self-contained appraisal as outlined in USPAP Standards Rule 2-2(a).

The purpose of the appraisal is to estimate the market value of the subject properties. The improved property will be appraised in its current "as is" condition. The vacant 10.675-acre site has been appraised assuming completion of the infrastructure improvements provided by the

Mr. Tom Mitchell
Richmond Redevelopment Agency
September 22, 1998

Richmond Redevelopment Agency. Further, the site is assumed free of detrimental site contamination. The property rights appraised are those of the leased fee interest for the improved property and fee simple interest for the vacant land. The properties are appraised free and clear of liens and encumbrances, such as mortgages and/or assessments outstanding. It is our understanding that this appraisal will be used in conjunction with obtaining Mello-Roos bond funds for development of the infrastructure on the vacant site.

Based on our research and analysis, as described in the attached report, it is our opinion that the market value of the subject property, as of September 11, 1998, is:

Property 1 (Improved Property):	\$16,900,000
Property 2 (Vacant Land):	<u>4,200,000</u>
Total	\$21,100,000

Respectfully submitted,


Stephen D. Kuhnhoff, MAI, ASA
Certified-General Appraiser #AG001791

SDK:dlg

SUMMARY OF SALIENT FACTS

(continued)

Environmental Issues: Property 2: This property has been identified as the site of soil and groundwater contamination which apparently originated during the use of the property in World War II for ship building. It is our understanding that there was a lawsuit which has been settled in which the federal government and prior owner are to pay for clean-up of the site. The site is undergoing clean-up at the present time with closure expected sometime within the next few months. Our appraised value assumes this site to be free of detrimental site contamination.

Highest and Best Use: Property 1: As Improved
Property 2: R&D use

Property Rights Appraised: Property 1: Leased Fee Interest
Property 2: Fee Simple Interest

Estimated Marketing and Exposure Time: 6 months

Effective Valuation Date: September 11, 1998

Value Conclusions:

Property 1 (Improved Property): \$16,900,000

Property 2 (Vacant Land): 4,200,000

Total \$21,100,000

Special Assumption: The value of Property 2 assumes the infrastructure described in this report is completed as well as the contamination clean-up.

SUMMARY OF SALIENT FACTS

Property Type:	Property 1: R&D Buildings Property 2: Vacant Land
Location:	Property 1: 1387-1401 & 1400-1402 Marina Way South, Richmond, CA Property 2: South End of Marina Way South, Richmond, CA
A.P.N.:	Property 1: 560-181-058 and 060 Property 2: 560-270-056 (portion of)
Zoning:	"PA," Planned Area
General Plan:	"PA," Planned Area
Land Area:	Property 1: 8.9 acres, or 387,976 s.f. Property 2: 10.675 acres, or 465,013 net s.f.
Improvement Description:	Property 1: Three, good quality, single-story concrete tilt-up R&D buildings containing 128,160 gross and 127,174 rentable square feet, built in 1990. Property 2: N/A
Floor Area Ratio:	Property 1: 33% Property 2: N/A
On-Site Parking:	Property 1: 508 stalls, or 4.0/1,000 s.f. of building area Property 2: N/A
Occupancy Status:	Property 1: 100% occupied by 5 tenants Property 2: N/A
Flood Zone:	"C," areas of minimal flooding.
Earthquake Issues:	Not within an Alquist-Priolo Special Study Zone
Environmental Issues:	Property 1: None.

ASSUMPTIONS AND LIMITING CONDITIONS

The appraisal is subject to the following assumptions and limiting conditions:

We believe the information furnished by others in this report to be reliable, but we assume no responsibility for its accuracy.

The legal description furnished us is assumed to be correct. We assume no responsibility for matters legal in character nor do we render any opinion as to the title, which is assumed to be good. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear under responsible ownership and competent management.

We have made no survey of the property and assume no responsibility in connection with such matters. The sketch in this report is included to assist the reader to visualize the property. Stable soil conditions are assumed. Water and mineral rights have not been valued, unless noted.

If this appraisal contains a valuation relating to a portion of a larger parcel of real estate, the value reported for such portion relates the portion only. It should not be construed as applying with equal validity to other portions of the larger parcel.

Any structure(s) is assumed by the appraiser to have been constructed in accordance with applicable building code requirements. Any use of the structure(s) is assumed to be in conformance with applicable zoning ordinances, unless otherwise noted in the appraisal. No specific investigation of these issues has been undertaken by the appraiser. It is recommended that the client secure appropriate legal opinions if these issues pose any concern.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.

Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

Assumptions and Limiting Conditions - (continued)

This appraisal shall be used only for the function outlined in the attached report, unless expressly authorized by Hulberg & Associates, Inc. The format and value reported may or may not be valid for other purposes.

Distribution of this report is at the sole discretion of the client and we will make no distribution without the specific direction of the client. However, no reproduction of this report, in whole or in part, shall be made without our prior approval.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, solicitation materials, public relations, news, sales, or other media without the written consent and approval of the authors, particularly as to valuation conclusions, the identity of the appraiser or firm with which the appraiser is connected, or any reference to the Appraisal Institute, or the MAI designation.

The liability of Hulberg & Associates, Inc., and its employees is limited to the client only and to the fee actually received by the appraiser (total per appraisal). Further, Hulberg & Associates, Inc., assumes no obligation, liability, or accountability to any third party. Client agrees to hold Hulberg & Associates, Inc. and its employees harmless in the event of lawsuit brought by any other party. If this report is placed in the hands of anyone but the client, client shall make such party aware of all the assumptions and limiting conditions of the assignment. The appraiser is in no way responsible for costs incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally. The client also agrees that in case of lawsuit arising from or in any way involving this appraisal assignment (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), client will hold appraisers harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

The appraisers cannot be held responsible for unforeseeable events that alter market conditions prior to the effective date of any prospective value.

We have made a physical inspection of the property and have noted visible physical defects in our report. Although generally familiar with real estate, we are not architects or structural engineers who would have detailed knowledge of building design and structural integrity. Accordingly, no opinion is given regarding the structural integrity of the property, including its conformity to specific governmental code requirements (e.g., fire, building and safety, earthquake, and occupancy), or any physical defects which were not readily apparent to the appraiser during the inspection.

The value or values presented in this report are based on the premises outlined herein and are valid for the purpose stated.

Any projections of income and expenses in this report are not predictions of the future. Instead, they are an estimate or current thinking of market participants of what future income and expenses will be. No warranty or representation is made that these projections will materialize.

APPENDIX C

**ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING
TO THE CITY OF RICHMOND**

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ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF RICHMOND

General

The City of Richmond, located 16 miles northeast of San Francisco on the western shore of Contra Costa County (the "County"), occupies 33.7 square miles of land area on a peninsula that separates San Francisco Bay and San Pablo Bay. Richmond is an important oil refining, industrial, commercial, transportation, shipping and government center. An active redevelopment program in the downtown and waterfront areas and commercial expansion in the City's Hilltop area, along the I-80 and I-580 Interstate Freeway corridors, and along the new Richmond Parkway, are adding substantially to the tax base.

Population

The City's population as of January 1, 1998 was 92,792, according to the most recent estimate of the State Department of Finance. This is an increase of 6.1% from the 1990 U.S. Census.

The tabulation below shows population data for the City and County as reported for the most recent U.S. Census periods and subsequent State estimates. The City's steady population rise since 1980 is due chiefly to the large number of new homes that have been built, principally in the El Sobrante, Hilltop, Brickyard Cove, Marina Bay, and City Center/Downtown areas.

POPULATION CITY AND COUNTY

<u>Census Year</u>	<u>City of Richmond</u>	<u>Contra Costa County</u>
1940	23,642	100,000
1950	99,545	298,984
1960	71,854	409,030
1970	79,043	556,116
1980	74,676	657,252
1990	87,425	803,732

Source: U.S. Census Bureau.

CITY AND COUNTY POPULATION, 1994-98
STATE ESTIMATES
(rounded to nearest hundred)

<u>Census Year</u>	<u>City of Richmond</u>	<u>Contra Costa County</u>
1994	91,300	856,000
1995	90,900	863,300
1996	90,900	870,700
1997	91,300	879,200
1998	92,800	900,700

Source: California State Department of Finance.

The State Department of Finance estimated that Richmond had 35,861 housing units as of January 1, 1998. This represents a 4.0% overall increase in the City's housing stock since the 1990 Census. Single family detached homes were estimated to be 56% of the total units in 1998.

The 1995 Survey of Buyer Power (Sales Marketing and Management) estimated median household effective buying income (in 1983 dollars) at \$38,256 for Richmond, with 73% of all households realizing annual effective buying incomes of \$20,000 or more. The 1995 median age of the City of Richmond's population was estimated at 33.7 years, compared with a county wide median age of 35.4 Years.

Assessed Valuation

The City of Richmond utilizes the facilities of the county for the assessment and collection of property related taxes for City purposes. City property related taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes.

As previously discussed, pursuant to Article XIII A of the California Constitution, annual increases in property valuations by the County Assessor are limited to a maximum 2% unless properties are improved or sold. Sold properties and improvements are assessed at 100% of full cash value. Therefore, the County tax rolls do not reflect values uniformly proportional to market values.

Business inventories are exempt from property taxation and are not included in the values shown in the following tables. Also excluded is the first \$7,000 of the value of owner-occupied residences, pursuant to the homeowners' exemption under State law.

"Secured" property is real property which in the opinion of the County Assessor can serve as a lien to secure payment of taxes. "Utility" property is any property of a public utility which is assessed by the State Board of Equalization rather than the County Assessor, and which is also "secured" property.

Presented below are the 1994-95 through 1998-99 assessed valuations for the City of Richmond.

**CITY OF RICHMOND
HISTORY OF ASSESSED VALUATION
1994-95 THROUGH 1998-99**

<u>Total Fiscal Year</u>	<u>Assessed Valuation⁽¹⁾</u>
1994-95	6,216,333,744
1995-96	6,194,419,914
1996-97	6,339,625,756
1997-98	6,124,468,401
1998-99	6,255,102,785

⁽¹⁾ Based on full cash value. Valuations include secured and unsecured property, reimbursable exemptions, and redevelopment agency increments, the taxes on which are payable to such agencies having project areas within the City.

Source: Contra Costa County Auditor-Controller.

**CITY OF RICHMOND
SECURED TAX LEVIES AND DELINQUENCIES
1992-93 THROUGH 1996-97**

<u>Fiscal Year</u>	<u>Ending Tax Levy</u>	<u>Reimbursed Tax Levy</u>	<u>Percent Current Levy Delinquent June 30</u>
1992-93	\$19,590,826	\$628,759	3.21%
1993-94	16,913,857	433,013	2.56
1994-95	17,905,757	419,801	2.34
1995-96	18,173,545	348,073	1.92
1996-97	18,616,353	489,922	2.63

Source: Contra Costa County Auditor-Controller.

Property Taxation and Tax Rates

The County assesses real personal property values and collects and distributes secured and unsecured property taxes to the City, school districts and other special districts located within the City.

Taxes are levied for each fiscal year on taxable real and personal property that is situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1, and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five or more years, the tax-defaulted property is declared to be subject to the County's Treasurer-Tax Collector's power of sale and may be subsequently sold by the County's Treasurer-Tax Collector.

Legislation established the "supplemental roll" in 1984 which directs the Assessor to reassess real property, at market value, on the date property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

State law exempts from assessed valuation \$7,000 of the full cash value of an owner-occupied residence, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of fiscal year 1984-85, the State reimbursement with respect to business inventory exemption, which formerly had been in the amount of 50%, then 100%, was repealed. This subvention for cities has been replaced by increased motor vehicle license fees.

Property taxes on the unsecured roll are due as of January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (i) by filing a civil action against the taxpayer, (ii) by filing a certificate in the office of the City Clerk specifying certain facts in order to obtain a judgment

lien on certain property of the taxpayer; (iii) by filing a certificate of delinquency for recordation in the City Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (iv) by the seizure and sale of property, improvements or possessory interest, belonging to the taxpayer. These collection methods can be used separately or jointly.

On June 6, 1978, the voters of California 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 items, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors including general economic downturn. 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, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (Amador Valley Joint Union High School District v. State Board of Equalization). The Court reserved certain constitutional issues and validity of legislation implementing the amendment for future determination in property cases (in June 1992, the U.S. Supreme Court, in a 8-1 ruling, upheld Proposition 13.

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 presentation (except as noted) is shown at 100% 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% of assessed value.

Further assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve that tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The City is unable to predict the nature or magnitude of future revenue sources which may be provided by the State of California (the "State") to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Teeter Plan

The City is located within a county that is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive) (the "Law"), commonly referred to as the "Teeter Plan."

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The county then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxes and 100% of the total then-prior years' delinquent secured assessments, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The valuation of property is determined as of March 1st each year and equal installments of tax levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due May 15 and become delinquent August 31.

Although the City does receive its entire secured tax levy amount each year under the Teeter Plan, an indication of tax collection can be obtained from the history of collections of all entities levying taxes within the City limits. A history of these collections since 1992-93 and the entire County tax levies with delinquencies and tax losses reserve balances for the same period are shown in the following table as reported annually by the County Auditor.

CONTRA COSTA COUNTY TAX LEVIES, DELINQUENCIES AND TAX LOSSES RESERVE BALANCES 1985-86 THROUGH 1994-95

<u>Fiscal Year Ended June 30</u>	<u>Total Current Year Tax Levy</u>	<u>Portion Current Levy Delinquent Year End</u>	<u>Percentage Current Levy Delinquent Year End</u>	<u>Total Delinquent Taxes June 30</u>	<u>Tax Losses Reserve Balance June 30</u>	<u>Reserve As Percentage of Delinquency</u>
1992-93	\$760,559,294	\$24,239,204	3.19%	\$46,553,277	\$29,042,152	62%
1993-94	794,435,830	20,652,106	2.60%	43,996,595	31,225,565	71%
1994-95	823,495,651	20,640,379	2.51%	43,587,741	24,709,211	57%
1995-96	854,51,586	18,296,237	2.14%	41,993,380	18,670,811	44%
1996-97	869,580,974	18,057,023	2.08%	42,022,344	14,437,519	34%

Source: Contra Costa County Auditor.

Economic Structure

Overview of the Richmond Economy

The economy of the City of Richmond includes heavy and light manufacturing, distribution facilities, service industry, commercial centers, and a multi-terminal shipping port on San Francisco Bay. Richmond also serves as a government center for West Contra Costa County.

The following table shows estimates and projections of employment by major economic sector in Richmond and its "sphere of influence area⁽¹⁾," prepared by the Association of Bay Area Governments ("ABAG"). ABAG's projections indicate that the services sector will expand steadily in the Richmond economy from 1995 to the year 2020, relative to the other economic sectors, while the manufacturing and retail sectors will each constitute a gradually shrinking proportional share of all jobs in Richmond's economy over the same 25 years. These estimates are derived from economic indicators, other economic information, and local policy surveys of local jurisdictions. There can be no assurance that these estimates and projections have been or will be accurate. Actual employment may substantially differ from these figures.

JOBS BY MAJOR ECONOMIC SECTORS IN RICHMOND SPHERE-OF-INFLUENCE AREA: 1990, 2000 AND 2010

	1995		2000		2010		2020	
	Jobs	%	Jobs	%	Jobs	%	Jobs	%
Services	13,540	36.0	18,040	39.8	22,350	41.6	27,110	44.4
Mfg. & Wholesale	7,050	18.7	7,210	15.9	8,680	16.2	9,450	15.5
Retail Trade	5,000	13.3	6,390	14.1	6,700	12.5	6,770	11.1
Agricultural/Mining	520	1.4	480	1.1	470	0.9	410	0.6
Other ^(*)	11,500	30.6	13,230	29.2	15,520	28.9	17,370	28.4
TOTAL	37,610	100.0	45,350	100.0	53,720	100.0	61,110	100.0

⁽¹⁾ The City's sphere of influence includes territory immediately adjacent, but outside of the City limits, which may potentially be annexed to the City, and which has been identified as such by the County Local Agency Formation Commission. These areas include: County portion of North Richmond, El Sobrante and East Richmond Heights.

^(*) Finance/insurance/real estate, government, transportation/communications/utilities, and construction.
Source: ABAG, Projections 98, December 1997.

Industrial Activity

Richmond has been viewed, until recently, as a distribution center and a city of heavy industry, largely because of the visible presence of a major oil refiner (Chevron USA Richmond Refinery) and a few other major industries: Zeneca, Inc. (formerly ICI Americas, Inc. formerly Stauffer Chemical), Chevron USA, Bio-Rad Laboratories, Pinole Point/Marwais Steel, and the bulk liquid terminals in the Port of Richmond.

The Richmond economy is experiencing growth in light and high technology companies and new business parks that accommodate both light industrial and "office/flex" type commercial buildings. Growth in these sectors is adding diversity to Richmond's historically heavy industrial base. At the same time, the major manufacturers are continuing to upgrade their Richmond facilities, making major investments in modernization and expansion.

Chevron Refinery completed its \$660 million Clean Fuels Project by the end of 1995. The project upgrades and modifies the refinery to meet 1995 U.S. Clean Air Act standards for cleaner-burning gasoline ("reformulated gasoline"). The project also upgrades the fluidized catalytic cracking (FCC) unit, thereby allowing the refinery to increase gasoline production by about 13 percent. Even with such plant upgrading and expansion, it is possible that, in the City, as in communities with a similar economy, there may be a decrease in employment in the manufacturing and petroleum sectors at some future time.

"High tech" light industrial firms, research and development companies, biotechnology, and business park developments are growing industrial sectors in Richmond. Biotechnology, medical instruments, and computer software in particular are emerging sectors in Richmond's economy.

In 1992 Berlex Biosciences, a division of the German pharmaceutical giant Schering AG, moved to Richmond thereby consolidating its Northern California and East Coast USA operations in one location. Berlex' new corporate campus in Richmond will function as headquarters for Schering AG's U.S. operations. Berlex is occupying an existing 260,000 square feet of space on 53 acres purchased from Chevron Chemical Company. The company has committed to a \$200 million investment in Richmond that eventually will include 720,000 square feet of additional space and several hundred new jobs at full buildout. Berlex moved into its new clinical production facility (Phase IIA of the Berlex expansion) in 1996. The timing of other phases in Berlex's expansion is dependent on developments in the biosciences field generally.

Several other new biotech firms have located in Richmond since 1992 including Onyx Pharmaceuticals, LXR Biotechnology, and Neurobiological Technologies. These three companies have all expanded, tripling employment and doubling their space occupancy in the first 3 years since locating in Richmond.

A number of factors appear to be attracting the new high-tech firms to Richmond:

1. The ongoing development and leasing of light industrial/business park property at Hilltop and along the relatively new I-580 freeway along Richmond's South Shoreline, evidence that an active market for this kind of space exists in the Richmond area;
2. Availability of fairly extensive vacant or under-utilized land areas zoned for industrial use;
3. Relatively lower land costs than elsewhere in the Bay Area;

4. Richmond's central location in western Contra Costa County, within a short distance of San Francisco, Oakland and other East Bay cities, Marin County, and a relatively easy commute to the State's capitol, Sacramento;
5. Proximity to the University of California at Berkeley, one of the major scientific universities and library systems in the world;
6. Good access and transportation (Richmond has two Interstate freeways as well as good rail and water transportation facilities, including Southern Pacific and Santa Fe Railroads, Santa Fe western terminal, and the Port of Richmond); and
7. Availability of affordable housing for employees in a variety of neighborhoods, housing types and price ranges.

Completion of the John T. Knox Freeway (Interstate 580 extension from Interstate 80 at Albany to the Richmond-San Rafael Bridge) has spurred new industrial and commercial development along the freeway corridor throughout Richmond's South Shoreline area. Another major roadway expected to generate new development is the Richmond Parkway, which links the northern edge of Richmond (Interstate 80 at Hilltop) and the City's southwest corner (the I-580 freeway) and the Richmond-San Rafael Bridge. The Parkway was completed in the end of 1996 and has opened up for development a large industrially zoned area in northwest Richmond that has remained largely underdeveloped due to poor access.

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Summary of Major Industrial/Commercial Investments in Richmond since 1992

Major new industrial and commercial investments in Richmond, California totaled approximately \$1 billion in 1992-1995, representing 1.3 million new square feet of building space (see following table).

**MAJOR INDUSTRIAL/COMMERCIAL INVESTMENTS
IN RICHMOND, CALIFORNIA 1992-1995***

<u>Project</u>	<u>Sector</u>	<u>Investment (In Millions)</u>	<u>Square Footage</u>
Chevron Refinery Clean Fuels	Petrochemicals	\$660	N/A
Berlex Biosciences	Biotechnology	200	720,000
Kaiser Permanente Hospital/Medical Office Building	Health services	56	203,000
Richmond Downtown Shopping Center	Retail/Mixed Use (developed by Bridge Housing and Martin Group at City Center)	22	78,000
Colorstrip/Marwais Steel	Manufacturing	45	200,000
Zeneca (formerly ICI Americas) Research Lab	Biotechnology	8	82,000
Home Depot†	Retail	8	84,000
Onyx Pharmaceuticals	Biotechnology	2	20,000
Veriflo	Manufacturing	5	4,000

* Does not include housing investments.

† Located partially in the City of Richmond and partially in the City of El Cerrito; revenues are shared accordingly.

Source: Richmond Planning Department.

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Employment

The City's largest 20 major employers in 1997 are listed in the following table.

MAJOR EMPLOYERS IN RICHMOND, CALIFORNIA

<u>Manufacturing Companies</u>	<u>Employment</u>	<u>Products</u>
Chevron U.S.A., Inc. Refinery	1,646	Petrochemicals
West Contra Costa Unified School District	1,271	Public schools
Social Security Payment Center	1,260	Federal government
Chevron Research & Technology	1,255	Petrochemicals research
City of Richmond	1,158	City government
U.S. Postal Service Bulk Mail Center	1,007	Bulk mail
United Parcel Service (UPS)	950	Mailing distribution center
Berlex Laboratories, Inc.	443	Pharmaceutical products
U.C. Berkeley Field Station	440	Research/education
Kaiser Permanente Medical Group	379	Medical services
Pixar	353	Computer animation
Zeneca, Inc.	339	Biotechnology
Bio-Rad Laboratories, Inc.	312	Biotechnology
Safeway Stores, Inc.	300	Grocery/distribution
PG&E Richmond Service Center	299	Gas and electric utilities
Veriflo Corporation	289	Valves/regulators
Pinole Point Steel Co./Colorstrip, Inc.	253	Steel fabrication
Macy's Hilltop	252	Department store
Burlington Northern Santa Fe Railway	250	Railroad terminal
Ford Motor Co.	194	Auto parts

*Employment figures are from City business license records current as of August 1997 and (for public and other non-licensed employers) from a telephone survey in October 1997. Numbers represent total workforce in Richmond and include full-time and part-time employees. Source: Richmond Finance Department, December 1997.

The following table sets forth the civilian labor force unemployment data for the resident population, age 16 and over, of the City, the State of California and the United States for the years 1992 to 1997.

**LABOR FORCE UNEMPLOYMENT RATES
RICHMOND, STATE OF CALIFORNIA AND UNITED STATES
1992-97**

<u>Year</u>	<u>Richmond</u>	<u>California</u>	<u>United States</u>
1992	12.2	9.3	7.5
1993	12.1	9.4	6.9
1994	11.6	8.6	6.1
1995	10.8	7.8	5.6
1996	9.3	7.2	5.4
1997*	6.9	5.7	4.3

* Unemployment rate percentages relate to data received through November 1997 and have not been seasonally adjusted. Source: State of California, Employment Development Department, Labor Market Information Division.

Commercial Activity

Hilltop Mall regional shopping center represents one portion of the 950-acre master planned Hilltop community being developed. Other components in the master planned community include a hotel, a 1.1 million square foot office park, an industrial park, and extensive residential areas. More than 1,640 homes and an estimated 600,000 square feet of light industrial/business park space have been built at Hilltop. Currently another 688 new homes are planned for construction during 1998-99 at Hilltop in two separate developments (Park Ridge, 645 units, and Hilltop Lake Overlook, 43 units). Park Ridge, currently in the project approval process, represents the first stages of development in the Hilltop West Area. The retail and office commercial buildout potential is estimated at over 700,000 square feet, and the office/industrial flex potential is estimated at 175,000 square feet.

The Hilltop Mall shopping center is Richmond's principal retail center. Since its opening in 1976, Hilltop has developed into a regional retail center. According to Hilltop's own sources, between 3,000 and 5,000 persons are employed at the shopping center, most of whom are in retail trade employment. Hilltop is anchored by three large department stores: Macy's, J.C. Penney's and Sears. A supermarket, Lucky Stores and an auto plaza are also located near the shopping mall. The new 200,000 square foot Hilltop Plaza Shopping Center is directly east of Hilltop Mall, right at the new Richmond Parkway Interchange at I-80.

Marina Bay on Richmond's South Shoreline is the site of another large-scale master planned development. A planned community with an eventual 2,000 housing units and 4,000 to 5,000 residents, it is being developed around a sheltered water basin holding a large pleasure boat marina. The area started its transformation from a shipyard and industrial site in 1980 with the construction of a 500 berth marina and a formal esplanade and shoreline beach park. As of June 1996, approximately 1,700 residential units had been constructed at Marina Bay, as well as 300,000 square feet of commercial office/business park space and 775 boat berths. Upon completion, expected around the year 2000, Marina Bay will include 1,400 boat berths, 2,000 homes, 650,000 to 700,000 square feet of commercial space, a yacht club, several parks, more than four miles of trails, and the esplanade. Total investment is estimated at \$350 million, of which an estimated 80% will have come from private funds.

Also near the I-580 Freeway, the Point Richmond Tech Center I and II, consisting of approximately 225,000 square feet of office/research and development space have been constructed. In addition, the Point Richmond Business Park (Simeon Properties) consisting of 95,000 square feet was built in 1991 on Canal Boulevard, south of Cutting Boulevard and the I-580 Freeway.

Development activity in Richmond's South Shoreline and Marina Bay areas accelerated in 1997. Catellus Development Corporation, the real estate arm of Santa Fe Railroad, inaugurated in October 1997 Phase One of its 50-acre Regatta Center development at Marina Bay. The property, formerly the 23rd Street rail yards, is located on the north side of regatta Boulevard. Upon completion, Regatta Center will contain over 300,000 square feet of office/flex and research and development space.

Lincoln Property Company financed over \$500,000 in improvements to the 340,000 square foot former Costco site on Regatta Boulevard. In 1997, Shoe Pavilion, Inc. moved its corporate headquarters and distribution center from Bellevue, Washington into the former Costco facility. Marina Westshore Partners, LLC, the nominee of the Penterra Company, the Marina Bay master developer, has taken out permits for the Marina Bay West Shore office/commercial and light industrial development, consisting of approximately 10.6 acres and over 200,000 square feet of new building space. The City and the Penterra Company are developing a joint marketing study for the Marina Bay Northshore area, focusing on its potential for marina oriented commercial development.

Also on the South Shoreline, the City in 1997 issued a Request for Proposal (RFP) for the 13+ acre former Port Terminal No. 1 facility at Brickyard Cove, south of Point Richmond. In 1998, the City also intends to issue an RFP for the 500,000 square foot former Ford Motor Company Assembly Plant facility on Harbour Way South.

Finally, Costco Wholesale, a major warehouse retailer located on Central Avenue in Richmond's Pt. Isabel area, announced in January 1998 plans for a 20,000 square foot expansion in their facility, expected to produce a 25 to 40% increase in sales volume.

**BUILDING PERMITS & VALUATION
RICHMOND, CALIFORNIA 1992-97**

<u>Year</u>	<u>No. of Permits</u>	<u>Value (In Millions)</u>
1992	1,496	\$124.3
1993	1,428	61.5
1994	1,503	53.3
1995	1,968	75.2
1996	1,934	167.9
1997	2,209	64.7

Source: Richmond Public Works Department, Building Regulations Division.

The following table illustrates the breakdown of permit valuation of type of construction. New residential construction has been the largest category of new building.

**CITY OF RICHMOND
BUILDING PERMIT VALUATION BY TYPE OF CONSTRUCTION 1993-97
(In Thousands of Dollars)**

Type*	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
New					
Residential	\$7,604	\$2,213	\$20,870	\$16,127	\$19,911
Commercial	770	0	28	11,265	3,305
Industrial	5,574	1,756	21,220	976	398
Other**	<u>1,013</u>	<u>1,344</u>	<u>2,849</u>	<u>2,323</u>	<u>1,160</u>
	\$14,961	\$5,313	\$44,967	\$30,691	\$24,774

* Excludes (1) residential additions that did not add new units and (2) alterations and repairs to buildings.

** New non-residential permits.

Source: Richmond Public Works Department, Building Regulations Division.

The table below illustrates the annual totals of new residential housing units completed each year in Richmond. A total of 586 housing units were built between 1993-97, for an average of 117 per year.

**NEW HOUSING UNITS CONSTRUCTED & PERMITS ISSUED:
RICHMOND, CALIFORNIA 1993-97**

<u>Year</u>	<u>No. of Units Constructed</u>	<u>No. of Unit Permits Issued</u>
1993	212	63
1994	54	17
1995	62	153
1996	132	91
1997	126	104

Source: Richmond Public Works Department, Building Regulations Division.

Community Facilities

Richmond area residents have access to some of the Bay Area's most modern health care facilities. The Richmond area has two general hospitals, Doctors Hospital in San Pablo and Doctors Hospital in Pinole - both next door to Richmond. Both hospitals offer 24 hour emergency care. Richmond also has several convalescent hospitals.

The Richmond area offers a variety of leisure, recreational and cultural resources, from boating, fishing and hiking, to live theater, golf, tennis and team athletics. Three regional parks are on the shoreline: Point Pinole, George Miller Jr./John T. Knox, Ferry Point and Point Isabel. The City operates a public marina (775 boat berths at Marina Bay), four large

community parks (Point Molate Beach Park, Hilltop Lakeshore Park, Nicholl Park, and Marina Park and Green), 25 neighborhood parks ranging in size from one to 22 acres, many playlots and mini-parks, and seven community centers.

In addition, the City operates a disabled people's recreation center, an instrumental sports facility, two senior centers (Richmond Senior Center and Richmond Annex Senior Center), the Richmond Museum, the Richmond Municipal Natatorium, the John F. Kennedy Swim Center, the Washington Fieldhouse, the Veterans Memorial Auditorium, and the Richmond Public Library. The Richmond Art Center, a privately funded arts organization, is partly supported by the City of Richmond.

Also in Richmond are several private yacht harbors, golf and country clubs, and community theaters. Within 30-45 minutes by BART or car are the cultural resources of other cities in the East Bay and Bay Area, including Oakland, Berkeley and San Francisco.

East Bay Regional Park District (EBRPD) maintains one Regional Park, Four Regional Shorelines, and one Regional Preserve within Richmond:

	<u>Acres</u>
Wildcat Canyon Regional Park	2,428
Brooks Island Regional Shoreline	373
George Miller Jr./John T. Knox Regional Shoreline	300
Point Isabel Regional Shoreline	21
Point Pinole Regional Shoreline	2,315
Sobrante Ridge Regional Preserve	<u>277</u>
TOTAL	5,714 Acres

One additional park land facility, the 214-acre Kennedy Grove Regional Recreation Area, is located in an unincorporated area of the County bordering on the City of Richmond at the eastern end of El Sobrante Valley.

The four regional shorelines presently owned and maintained by EBRPD represents a substantial portion of Richmond's shoreline. The regional shorelines and Wildcat Canyon Park are used not only by residents of Richmond but also by the general public within the Bay Area region.

Economic Outlook - 1997 and Beyond

The following are significant trends or developments in Richmond's economy in 1997 and subsequent years.

Continued Transition of Richmond's South Shoreline

Construction of 370 new homes at Marina Bay during 1995-98 will bring the total of homes in this master planned new community to 2,000. This is a part of the continued successful redevelopment and transformation of the idle post-WWII Kaiser shipyards and a derelict heavy industrial area to a mixed-use community of bayfront homes, commercial activity, and recreational uses. The pace and volume of new commercial and industrial development in the South Shoreline accelerated significantly since 1997, and several substantial commercial and office/flex developments are planned or now underway.

Opening Up of Richmond's North Shoreline

The opening of the Richmond Parkway, and its interchange connection to Interstate 80, completed at the end of 1996, has sparked considerable developer and investor interest in Richmond's entire North Shoreline area. The new Parkway links Interstates I-80 and I-580 near the Richmond-San Rafael Bridge, providing access to the largely undeveloped, or underdeveloped, North Shoreline and Point Pinole areas.

Port of Richmond Harbor Dredging and Deepening Project

The \$32 million venture to dredge the Port of Richmond's channels to 38 feet will be funded by the public-private Harbor Navigation Improvement District, created in early 1996. Dredging the Port's channels ensures that Richmond remains a viable and competitive deep-water port on San Francisco Bay supporting local industries and their expansion into foreign markets.

Presence of New "Growth" Industries

For several years the City has targeted new industries with high growth potential that would diversify and support its local heavy industrial base-biotechnology, medical research, software development, and similar new "niche" industries. Results of City targeting of the bioscience sector have been particularly impressive. As of 1997, the local economy supports over 1,200 jobs in biotechnology.

Maintaining Environments for Creativity, "Cutting-Edge" Research, and Emerging Industries

The City's new Business Retention and Expansion Program commits to building infrastructure and regulatory environments that attract emerging industries and accommodate expanding industries. Cutting edge work is currently underway in Richmond in antibody research and research related to cancer, aging, multiple sclerosis, and neurological disorders.

Entertainment Media Production

Entertainment media production is another economic activity entering Richmond in recent years, a sign that Richmond may have the right combination of "elements" for this emerging economic sector. The film industry has produced (not filmed) "Joy Luck Club" and Mrs.

Doubtfire" in warehouses in Richmond's south shoreline, while Disney's 1995 hit "Toy Story" was created entirely in Pixar's Richmond studios.

Continuing Change in the Retail Sector

The closing of Emporium at Hilltop Mall and of Toys R Us in 1996 reflects consolidation within the retail sector and a restructuring of retail along the I-80 corridor. The new 30-acre Hilltop Plaza retail center at the Richmond Parkway Intersection (stimulated by the construction of the Richmond Parkway Interchange) as well as the new Pacific East Mall Asian shopping complex are part of this changing picture. Other retail trends which bear watching are the popular discount warehouse retail outlets and new "alternative retailing" such as home shopping by computer, television and catalogs, and even shopping via Internet. These trends may have significant revenue impacts on local communities and deserve close monitoring by the City.

Continuing Support for Local Small Business Development

Small business firms, 20 or fewer employees, comprise a very high percentage or 95% of all Richmond businesses. Very small businesses consisting of 0 to 5 employees comprise 82% of all local businesses. Servicing this sector remains a City of Richmond priority. The City played a major role in building capacity to service this group by establishing the West Contra Costa Business Development Center, centrally located at Hilltop, in April 1996.

Stabilizing the Existing Housing Stock

As well as supporting new home construction, maintaining and stabilizing the existing local housing stock is an ongoing priority of the City and Redevelopment Agency. The City recently passed a Rental Property Inspection Ordinance requiring all rental units to be registered and inspected for compliance with City codes. The Redevelopment Agency provides approximately \$400,000 annually to low income families throughout the city for home rehab loans. The City will continue to work towards achieving a "jobs-housing balance" and providing local employers with affordable homes for their employees in attractive neighborhoods.

Economic Development to Create Jobs

Richmond continues to strive to link local economic growth with jobs for residents. The award-winning RichmondWORKS Program and the Chevron USA Alliance Agreement are two examples of this approach. As more private sector companies participate, these programs should be even more successful in the future. Employment partnerships with the local private sector should prove increasingly valuable to local residents, since today's workforce must remain increasingly flexible and well trained to succeed in a rapidly changing "global economy."

Transportation

Richmond is a central transportation hub in the Bay Area, offering convenient access throughout the region and well into central California. Richmond's port facilities, railroads and proximity to international airports are complemented by a network of freeways and public transportation services.

Central Location

Richmond is situated near major metropolitan cities and major new growth areas. San Francisco is within 35 minutes from Richmond by freeway; Oakland is within 20 minutes; San Jose is approximately one hour's drive to the south; the state capitol, Sacramento, is approximately 90 minutes to the east. Central Marin County is approximately 15 minutes from Richmond over the Richmond-San Rafael Bridge. The freeway system provides access to major new growth areas along Interstate 80 to Vallejo, Fairfield and Sacramento, and to the central Contra Costa and Alameda County urban corridor along Interstate 680, stretching from Concord to Pleasanton. The population within a 70-mile radius of the City is approximately 7.8 million, and within a 30-mile radius the population is over 3.7 million.

Port and Rail

Richmond's deep-water port is California's third largest in annual tonnage, handling more than 19 million short tons of general, liquid and dry bulk commodities each year, over 90% of which is in bulk liquids. The Port of Richmond contains seven City-owned terminals, 5 dry-docks and 11 privately owned terminals. Private terminals are responsible for almost 90% of the Port's annual tonnage. On-dock rail service is provided to many port terminals by the Santa Fe and the Southern Pacific railroads. The Port, together with the Santa Fe operations, serve as a highly developed international rail facility. The John T. Knox Freeway has enhanced truck access to the Port.

The Port handles a widely varied assortment of cargos, although over 90% of the annual tonnage is in liquid bulk cargo, most of which is shipped through the Chevron Terminal. Principal liquid bulk cargos are petroleum and petroleum products, chemicals and petrochemicals, coconut oil and other vegetable oils, tallow and molasses. Dry bulk commodities include coal, gypsum, iron, ore, cement, logs and various mineral products. Automobiles, agricultural vehicles, steel products, scrap metals, and other diversified break-bulk cargos are also a significant part of the Port's business.

Regional Airports

Oakland International Airport (18 miles away) and San Francisco International Airport (28 miles away) provide the City with world-wide passenger and freight service. In addition, Concord's Buchanan Field, in central Contra Costa County, is 25 miles to the east, and provides limited scheduled service and general aviation services.

Freeway Network

Existing and new highways have made travel to and through Richmond more efficient and convenient. Interstate 80, which passes through Richmond, is a direct route to Oakland, San Francisco and Sacramento. The John T. Knox Freeway (I-580) provides continuous freeway access from Richmond's South Shoreline area to East Bay communities and to Marin County and is stimulating new commercial, industrial and residential development along Richmond's South Shoreline. Similarly, completion in 1996 of the Richmond Parkway through North Richmond,

improves vehicular access between Marin and communities to the north and east on I-80, while opening major tracts of land along Richmond's north shoreline for new development.

Public Transit

The public is served by the Bay Area Rapid Transit System ("BART") with a station conveniently located in downtown Richmond; AMTRAK passenger train service is available from a station adjacent to the Richmond BART station; Greyhound provides intercity bus service; and AC Transit offers local bus service within Richmond, to other East Bay communities and to San Francisco.

Utilities

Utility services to the City are supplied by the following:

Electric power:	Pacific Gas & Electric Co. ("PG&E")
Natural gas:	Pacific Gas & Electric Co.
Telephone:	Pacific Bell
Water:	East Bay Municipal Utility District ("EBMUD")
Sewer:	West Contra Costa Sanitary District, Richmond Municipal Sewer District, and Stege Sanitary District

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APPENDIX D

FORM OF THE AGENCY'S CONTINUING DISCLOSURE AGREEMENT

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FORM OF THE AGENCY'S CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement to be executed and delivered by the Agency in connection with the issuance of the Bonds (the "Disclosure Agreement"). This summary is not to be considered as a full statement of the Disclosure Agreement and reference is made thereto for the full details of the terms thereof.

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Agency for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any entity designated in writing by the Agency to perform the duties specified in Section 3(c) of this Disclosure Agreement and which has filed with the Agency a written acceptance of such designation.

"Holders" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean Westhoff, Cone & Holmstedt and any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Agency shall, not later than 180 days after the end of the Agency's fiscal year (which currently is June 30), commencing with the report for the 1998-1999 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository;

(ii) file the Annual Report with each Repository by the date required therefor by Section 3(a) and file any notice of a Listed Event, if requested by the Agency, as soon as practicable following receipt from the Agency of such notice; and

(iii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Agency's Annual Report shall contain or incorporate by reference the following:

(a) A maturity schedule for the outstanding Bonds, and a listing of Bonds redeemed prior to maturity during the prior fiscal year.

(b) Balance in each of the following funds established pursuant to the Indenture as of the close of the prior fiscal year:

(i) until the Facilities are completed, the balance in the Acquisition and Construction Funds; and

(ii) the Bond Reserve Fund (with a statement of the current Required Bond Reserve).

(c) Identification of each parcel for which any installment of due and unpaid Special Tax is delinquent, together with the following information respecting each such parcel:

(i) the amount delinquent (exclusive of late charges and monthly penalties for reinstatement) and the length of time delinquent;

(ii) the date (December 10 or April 10) of the first delinquency;

(iii) in the event a foreclosure complaint has been filed respecting such delinquent parcel and such complaint has not yet been dismissed, the date on which the complaint was filed in the Superior Court and the status of such complaint; and

(iv) in the event a foreclosure sale has occurred respecting such delinquent parcel, a summary of the results of such foreclosure sale.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the documents included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Agency shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults.

(iii) modifications to rights of Bondholders.

(iv) optional, contingent or unscheduled bond calls.

(v) defeasances.

- (vi) rating changes.
- (vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.
- (viii) unscheduled draws on the Bond Reserve Account reflecting financial difficulties.
- (ix) unscheduled draws on the credit enhancements reflecting financial difficulties.
- (x) substitution of the credit or liquidity providers or their failure to perform.
- (xi) release, substitution or sale of property securing repayment of the Bonds.
- (xii) initiation of bankruptcy proceedings by or on behalf of any person owning property representing more than five percent (5%) of the unpaid Special Tax.
- (xiii) Significant amendments to City of Richmond land use regulations or entitlements which would adversely affect development of property within the District.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Agency shall promptly file a notice of such occurrence with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Agreement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Agency may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Agency shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Agreement any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Agency to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and if the Agency itself is not the Dissemination Agent, the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

APPENDIX E

FORM OF THE DEVELOPER'S CONTINUING DISCLOSURE AGREEMENT

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FORM OF THE DEVELOPER'S CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions of the Continuing Disclosure Agreement to be executed and delivered by the Developer in connection with the issuance of the Bonds (the "Disclosure Agreement"). This summary is not to be considered as a full statement of the Disclosure Agreement and reference is made thereto for the full details of the terms thereof.

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Developer for the benefit of the Holders and Beneficial Owners of the Bonds.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Developer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean any Dissemination Agent designated in writing by the Developer and which has filed with the a written acceptance of such designation.

"Holders" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of Depository Trust Company or another recognized depository, any applicable participant in its depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean Westhoff, Cone & Holmstedt and any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Developer shall, not later than 180 days after the end of the Agency's fiscal year (which fiscal year currently ends June 30), commencing with the report for the 1998-1999 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate.

(b) Not later than fifteen (15) Business Days prior to said date, the Developer shall provide the Annual Report to the Agency and the Dissemination Agent (if other than the Developer). If the Developer is unable to provide to the Agency and the Repositories an Annual Report by the date required in subsection (a), the Developer shall send a notice to the Agency and each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each Repository;

(ii) file the Annual Report with each Repository by the date required therefor by Section 3(a) and file any notice of a Listed Event, if requested by the Developer, as soon as practicable following receipt from the Developer of such notice; and

(iii) (if the Dissemination Agent is other than the Developer), file a report with the Agency and the Developer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Developer's Annual Report shall contain or incorporate by reference the following, in each case current as of the date of preparation of the Annual Report:

(a) Any significant changes (as enumerated in Section 5 or which could materially affect the security for the Bonds) in the information contained in the Official Statement dated October 6, 1998 relating to the Bonds (the "Official Statement") under the caption "THE DISTRICT;"

(b) Any change in the legal structure of the Developer or in the composition of the Developer;

(c) Any denial of credit, lines of credit, loans or loss of source of capital that could have a significant impact on the ability of the Developer to make Special Tax payments or to comply with its obligation under any development agreement or shortfall agreement entered into with the Agency;

(d) Until the development described in the Official Statement under the caption "THE DISTRICT" is completed, a description of the status of development on each parcel still subject to the Special Tax owned by the Developer within the District, including:

(i) the status of construction and square footage of buildings completed (i.e., for which certificates of occupancy have been issued);

(ii) the sale of any property by the Developer within the District, indicating date of sale and sales price (or new assessed value);

(e) A listing summarizing any owner responsible for payment of more than 20% of the Special Tax;

(f) Any significant changes in the information set forth in the Official Statement under the caption THE DISTRICT—Development Plan.

SECTION 5. Reporting of Significant Events. Pursuant to the provisions of this Section 5, the Developer shall give, or cause to be given, unless all the property under its ownership within the District is responsible for payment of less than 20% of the annual Special Tax, to provide notice, within fifteen (15) days of the occurrence, of any of the following events:

(a) Transfer of any taxable property within the District to any related persons by the Developer (any transaction not subject to reassessment under California property tax law);

(b) Transfer of property within the District to another developer or builder such that such developer or builder owns 20% or more of the taxable property within the District at any time.;

(c) Any failure of the Developer to make general property tax, special assessments or Special Tax payments when due with respect to any taxable parcel within the District;

(d) Initiation of bankruptcy proceedings (whether voluntary or involuntary) by any Developer or any general partner of the Developer; and

(e) Status of any significant government imposed preconditions or any legislative, administrative and/or judicial challenges to the commencement or continuation of development known to the Developer.

SECTION 6. Termination of Reporting Obligation. The Developer's obligations under this Disclosure Certificate to prepare and file an Annual Report or notices of Listed Events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The Developer's obligation to file the Annual Report shall terminate upon completion of all development described in the Official Statement under the caption "THE DISTRICT." If such termination occurs prior to the final maturity of the Bonds, the Developer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. Subsequent Developers. The Developer agrees to require, as a condition of sale of property within the District which the Developer sells while any Bonds remain outstanding, that any purchaser who, as result of such sale, would own at least 20% of the taxable property within the District (the "Purchaser") execute a certificate (1) to provide the information specified herein insofar as it pertains to property owned by the Purchaser within the District and (2) to require, as a condition of sale by the Purchaser to any such person, a further agreement by that purchaser (the "Subsequent Purchaser") as if the Purchaser was the Developer and the Subsequent Purchaser was the Purchaser under the terms of this paragraph.

SECTION 8. Dissemination Agent. The Developer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Developer pursuant to this Disclosure Certificate.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Developer may amend this Disclosure Certificate, with the prior written consent of the Agency, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Developer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of information being presented by the Developer.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Developer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in

addition to that which is specifically required by this Disclosure Certificate, the Developer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Developer to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Developer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Developer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and if the Developer is not the Dissemination Agent, the Developer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or wilful misconduct. The obligations of the Developer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Developer, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

October __, 1998

Board of Directors
Richmond Redevelopment Agency
330 25th Street
Richmond, CA 94804

Richmond Redevelopment Agency
Community Facilities District No. 1998-1
(Marina Westshore Development Project)
Special Tax Bonds, Series 1998
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Richmond Redevelopment Agency (the "Issuer") of \$4,500,000 aggregate principal amount of its Community Facilities District No. 1998-1 (Marina Westshore Development Project) Special Tax Bonds, Series 1998 (the "Bonds") pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982 of the State of California (being Sections 53311 et seq. of the Government Code of the State of California, as amended) and the Indenture between the Issuer and U.S. Bank Trust National Association, as Trustee (the "Trustee"), dated as of October 1, 1998 (the "Indenture"), approved by Resolution No. 98-35 adopted by the Board of Directors of the Issuer on September 22, 1998. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the Issuer dated the date hereof (the "Tax Certificate"), an opinion of counsel to the Issuer, an opinion of counsel to the Trustee, certifications of the Issuer and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is

expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. In addition, we call attention to the fact that the rights and obligations under the Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against redevelopment agencies in the State of California. We express no opinion with respect to the plans, specifications, maps, financial report or other engineering or financial details of the proceedings, or upon the Rate and Method of Apportionment of the Special Tax or the validity of the Special Tax levied upon any individual parcel. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding special tax obligations of the Issuer, payable solely from the proceeds of the Special Tax (as that term is defined in the Indenture) and certain funds held under the Indenture.
2. The Indenture has been duly adopted and constitutes a valid and binding obligation of the Issuer.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986 and is exempt from State

of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

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DTC AND THE BOOK-ENTRY ONLY SYSTEM

Introduction

The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Agency, the Trustee and the Underwriter believe to be reliable, but the Agency, the Trustee and the Underwriter take no responsibility for the accuracy thereof. The Beneficial Owners should confirm the following information with DTC or the DTC Participants.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

General

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). (Direct and Indirect Participants may be jointly referred to as "Participants.") The Rules applicable to DTC and Participants are on file with the Securities and Exchange Commission.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the 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. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct 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.

Prepayment notices shall be sent to Cede & Co. If less than all of the 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. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Agency, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

NEITHER THE AGENCY, THE TRUSTEE, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC DIRECT PARTICIPANT, OR INDIRECT PARTICIPANT; (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE INDENTURE; (III) THE SELECTION BY DTC OR ANY DTC DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE BONDS; (IV) THE PAYMENT BY DTC OR ANY DTC DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF BONDS; OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF PREPAYMENT OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC DIRECT PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE PREPAYMENT OF THE BONDS CALLED FOR PREPAYMENT OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Year 2000 Compliance

DTC management is aware that some computer applications, systems, and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly its services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provisions of services, including telecommunication and electrical utility services providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.



