MEET AND CONFER REQUEST FORM

Instructions: Please fill out this form in its entirety to initiate a Meet and Confer session. Additional supporting documents may be included with the submittal of this form—as justification for the disputed item(s). Upon completion, email a PDF version of this document (including any attachments) to:

Redevelopment_Administration@dof.ca.gov

The subject line should state "[Agency Name] Request to Meet and Confer". Upon receipt and determination that the request is valid and complete, the Department of Finance (Finance) will contact the requesting agency within ten business days to schedule a date and time for the Meet and Confer session.

To be valid, all Meet and Confer requests must be specifically related to a determination made by Finance and submitted within the required statutory time frame. The requirements are as follows:

- **Housing Asset Transfer** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34176 (a) (2).
- **Due Diligence Review** Meet and Confer requests must be made within five business days of the date of Finance's determination letter, and no later than **November 16, 2012 for** the Low and Moderate Income Housing Fund due diligence review per HSC Section 34179.6 (e).
- **Recognized Obligation Payment Schedule (ROPS)** Meet and Confer requests must be made within five business days of the date of Finance's determination letter per HSC Section 34177 (m).

Agencies should become familiar with the Meet and Confer Guidelines located on Finance's website. Failure to follow these guidelines could result in termination of the Meet and Confer session. Questions related to the Meet and Confer process should be directed to Finance's Dispute Resolution Coordinator at (916) 445-1546 or by email to Redevelopment_Administration@dof.ca.gov.

AGENCY (SELECT ONE):

☒ Successor Agency ☐ Housing Entity

AGENCY NAME: Successor Agency to the Community Development Commission as the National City Redevelopment Agency

TYPE OF MEET AND CONFER REQUESTED (SELECT ONE):

☐ Housing Assets Transfers ☐ Due Diligence Reviews ☒ ROPS Period 13-14A

DATE OF FINANCE'S DETERMINATION LETTER: April 6, 2013

REQUESTED FORMAT OF MEET AND CONFER SESSION (SELECT ONE):

☐ Meeting at Finance ☒ Conference Call

DETAIL OF REQUEST

A. Summary of Disputed Issue(s) *(Must be specific.)*

On April 6, 2013, the California Department of Finance (the "DOF") issued a letter to the Successor Agency to the Community Development Commission as the National City Redevelopment Agency ("Successor Agency") regarding the DOF's review of and determinations on the ROPS 13-14A for the period July 1, 2013 through December 31, 2013 including the Second ROPS Reconciliation ("ROPS 13-14A").

The Successor Agency objects to the DOF's determinations set forth in its letter dated April 6, 2013 in connection with Item Nos. 22, 23, and 24 (8th St. Smart Growth Revitalization), Item Nos. 27, 28, and 29 (8th St. Safety Enhancements), Item Nos. 31, 33, and 34 (Highland Ave. Safety Enhancements), Item No. 37, 38, and 39 (D Ave. Community Corridor/Round-About), Item Nos. 41, 42, and 44 (Coolidge Ave. Community Corridor), Item Nos. 47 and 48 (4th St. Community Corridor), Item Nos. 51, 52, 53, and 54 (Las Palmas Park Improvements), Item Nos. 58, 59, 60, and 61 (Kimball Park Improvements), Item Nos. 63, 64, 65, and 66 (Aquatic Center), Item No. 165 (Coolidge Ave.), and Item No. 164 (Loan From Sewer Fund), for the reasons set forth below. The reasons provided below are not an exclusive list and the Successor Agency hereby reserves its rights to provide additional reasons in support of its objections to the DOF's determinations.

Bond Related Projects - Item Nos. 22, 23, 24, 27, 28, 29, 31, 33, 34, 37, 38, 39, 41, 42, 44, 47, 48, 51, 52, 53, 54, 58, 59, 60, 61, 63, 64, 65, 66, and 165:

In connection with each of the above Item Numbers, the DOF states "It is our understanding that contracts for these line items were awarded after June 27, 2011, do not have current and valid contracts in place, or have not yet been awarded." In addition, the DOF states "It is also our understanding these bonds were issued after December 31, 2010. Therefore, the benefits provided in HSC section 34191.4(c)(1) do not apply. HSC section 34191.4(c)(2)(B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation."

The Successor Agency is not relying on Health and Safety Code ("HSC") Section 34191.4(c)(2)(B) for the legal authority to expend the subject bond proceeds under Assembly Bill No. X1 26 ("AB 26") as amended by Assembly Bill No. 1484 ("AB 1484") (collectively the "Dissolution Act"). All references to the HSC are references to the Dissolution Act unless stated otherwise. Rather, each of the projects listed in the above Item Numbers rejected by the DOF are projects that fulfill the purposes for which the 2011 Tax Allocation Bonds ("Bonds") were issued and the Bonds and related documents constitute "enforceable obligations" of the Successor Agency. Specifically, the "Certificate Regarding Use of Proceeds" signed by the Executive Director of the Community Development Commission ("Former CDC-RDA") (enclosed herewith as Attachment No. 1) specifically lists each of the projects referenced in the above Item Numbers. In connection with the statutory obligations of successor agencies, HSC Section 34177(i) of the Dissolution Act specifically states that "Bond proceeds SHALL (emphasis added) be used for the purposes for which the bonds were sold unless the purposes can no longer be achieved, in which case, the proceeds may be used to defease the bonds." This HSC Section 34177(i) was enacted by AB 26 and effective as of February 1, 2012 and was not amended or revised by the subsequent AB 1484. There is no stated restriction in HSC Section 34177(i) that applies this statutory mandate on successor agencies only with regard to bonds issued on or prior to December 31, 2010. Therefore, the Successor Agency is required to (SHALL) expend all of its bond proceeds from the Bonds for the purposes for which the Bonds were sold unless the purposes can no longer be achieved. There is no exception to this statutory mandate. Clearly, the purposes for which the Bonds were issued can still be achieved and therefore, the bond proceeds SHALL be used to fulfill those purposes and not to defease the Bonds, as suggested by the DOF.

In light of HSC Section 34177(i), the Successor Agency must be permitted to expend the bond proceeds for the projects listed in the above-referenced Item Numbers and as said projects are detailed on the ROPS 13-14A. Each of the projects are consistent with the stated purposes for the issuance of the Bonds and use of the bond proceeds as specifically listed in the bond indenture and related bond documents, including without limitation the "Certificate Regarding Use of Proceeds". The bond documents and the covenants set forth therein relating to the covenants for use of the bond proceeds, and the "Certificate Regarding Use of Proceeds" constitute "enforceable obligations" of the Former CDC-RDA and now Successor Agency pursuant to HSC Sections 34167(d)(1) and 34171(d)(1)(A) - Former CDC-RDA Issued Bonds and Related Documents and Agreements, 34167(d)(3) and 34171(d)(1)(C) - Compliance Required by State Law Pertaining to Tax Exempt Status of Bonds, 34167(d)(5) and 34171(d)(1)(E) - Legally Binding and Enforceable Agreements Not Void as

Violating Public Policy, and each such project furthers the purposes for which the bonds were issued, in accordance with HSC Section 34177(i). In connection with HSC Section 34167(d)(3) and 34171(d)(1)(C), the Former CDC-RDA and Successor Agency is required by law to comply with the tax-exempt status of the issued Bonds, and therefore use of the bond proceeds for the stated projects in furtherance of the purposes of the issued Bonds is required by the the tax-exempt status of the Bonds.

In addition, pursuant to Exhibit "A" to the "Certificate Regarding Use of Proceeds", "All Bond proceeds should be expected to be spent within 3 years after the date the Bonds were issued" (i.e. March 3, 2011). Therefore, according to the Bonds and related agreements and covenants, the Successor Agency must spend the bond proceeds between this date and March 3, 2014. Therefore, time is of the essence for the Successor Agency to obtain the DOF's approval to expend the bond proceeds on a ROPS.

Pursuant to HSC Section 34167(f), "Nothing in this part shall be construed to interfere with a redevelopment agency's authority, pursuant to enforceable obligations as defined in this chapter, to (1) make payments due, (2) enforce existing covenants and obligations, or (3) perform its obligations." Further, HSC Section 34175(a) provides in pertinent part that "It is the intent of this part that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored." Therefore, it is the intent of the Legislature that enforceable obligations and covenants relating to the obligations be honored notwithstanding the enactment of AB 26 or AB 1484, including the allowance of the Successor Agency to expend the bond proceeds for the specific stated purposes for which the Bonds were sold. In addition, HSC Section 34169(b) requires that the Former CDC-RDA and now the Successor Agency shall "Perform obligations required pursuant to any enforceable obligations, including, but not limited to, observing covenants for continuing disclosure obligations and those aimed at preserving the tax-exempt status of interest payable on any outstanding bonds." HSC Section 34169(d) requires the Successor Agency to "preserve all assets, minimize all liabilities" however, defeasing or cancelling the 2011 bonds now would be inconsistent with this provision. Further, HSC Section 34169(f) requires that the Former CDC-RDA and now the Successor Agency shall "Take all reasonable measures to avoid triggering an event of default under any enforceable obligations as defined in subdivision (d) of section 34167."

It is clear from the above-referenced statutory provisions of the Dissolution Act that the intent of the Legislature in enacting AB 26 and AB 1484 was not to mandate the Successor Agency to breach covenants and obligations of the Bonds required by legally binding and enforceable agreements with third party bondholders, by mandating the Successor Agency to NOT expend the bond proceeds on the projects listed in the ROPS 13-14A for which the Bonds were issued when such purposes of the Bonds may clearly be achieved.

Further, the Bonds and related documents and agreements are subject to California's validation statute, Code of Civil Procedure §§860 et seq. (the "Validation Statute"), because they involve public indebtedness. (Cal. Government Code §53511(a).) They have been validated under the Validation Statute and, therefore, their legality has been "conclusively determined; the effect [is] similar to that of a final adjudication of a court of record." (Redevelopment Agency of the City of San Francisco v. Del-Camp Investments, Inc (1974) 38 Cal. App. 3d 836, 841; See Code Civ. Proc. §867.)

With regard to the Validation Statute, a public agency has a choice as to how to validate agreements under the Validation Statute. The first option is for a public agency to file a validation action within 60 days of the existence of an agreement to be validated. (Code Civ. Proc. §860.) The second option is simply to wait for the 60 days to elapse. If no one challenges the agreement within that time, it is validated automatically by operation of law. (City of Ontario v. The Superior Court of San Bernardino County (1970) 2 Cal. 3d 335, 341-342; Code Civ. Proc. §§863, 869.)

A validation action is an in rem proceeding in that it seeks a declaration as to the validity of a specific item, such as an agreement, as to all interested parties, which as a practical matter is everyone. (See Code Civ. Proc. §860, City of Ontario, 2 Cal. at 344.) The goal of a validation action is to give third parties, such as bondholders, assurances in public indebtedness relating to specific projects. (Kaatz v. City of Sea Side (2006)143 Cal. App. 4th 13, 39.)

Since the Bonds and related documents and agreements were never challenged, they have been validated by operation of law pursuant to the Validation Statute. Therefore, not even the State may nullify the Bonds, and related documents and agreements that have been validated by operation of law pursuant to the Validation Statute.

Loan From Sewer Fund - Item No. 164:

In connection with Item No. 164, the DOF states in pertinent part: "Interagency loan between the City of National City and the Agency totaling $420,000 is not an enforceable obligation at this time. HSC section 34171(d)(2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable,

unless issued within two years of the RDA's creation date or for issuance of indebtedness to third-party investors or bondholders. This loan was issued after the first two years of the former RDA's creation and not associated with the issuance of debt. Thereore, this item is not an enforceable obligation."

In Fiscal Year 2010-2011, the Former CDC-RDA and the City of National City undertook a $4.0 million street resurfacing program that was funded in part by a $1.5 million loan from the City's Sewer Fund, which is a special enterprise fund of monies collected and held by the City for particular purposes. The Former CDC-RDA committed a total of $771,250 of tax increment funds toward the street resurfacing project in the form of loan repayments to the City's Sewer Fund over a three year period.

In reliance of the Former CDC-RDA's commitment of the $771,250 toward repayment of the loan from the City's Sewer Fund, third party contracts were entered into for the street resurfacing project and work begun. Therefore, the Former CDC-RDA's commitment to repay a portion of the City's Sewer Loan constitutes an "enforceable obligation" pursuant to the HSC Section 34171(d)(1)(B) as a loan of moneys borrowed by the Former CDC-RDA for a lawful purpose that are legally required to be repaid pursuant to the repayment schedule. Not only were these funds committed for a lawful purpose to be repaid over a three year period but these funds were also committed to a project that serves a governmental purpose. Street resurfacing is a necessary action in order to maintain the safety of right of ways for pedestrian and vehicle traffic. HSC Section 34169(d) requires the Successor Agency to "preserve all assets, minimize all liabilities" however, delaying or denying repayment of the loan increases the liabilities and reduces the assets of the Agency, as interest will continue to accrue and be owed by the Successor Agency.

In addition, the Dissolution Act generally voids agreements between cities and their former redevelopment agencies. (HSC Sections 34171(d)(2), 34178(a).) Notwithstanding, however, the public policy of HSC Sections 34171(d)(2) and 34178(a) is likely that these prohibitions do not apply to old agreements that predate AB 26 and that such prohibitions are aimed at last minute agreements that sought to circumvent AB 26. In this case, the loan from the City's Sewer Fund and the Former CDC-RDA's agreement to repay a portion of such loan and related agreements were not last minute actions of the City and the Former CDC-RDA to circumvent AB 26, but rather actions that had been in the planning stage for a long time and were for legitimate governmental purposes, are legally binding not otherwise void by public policy, and constitute an enforceable obligation pursuant to HSC Section 34171(d)(1)(E). Judge Chang has indicated this public policy statement in her recent ruling in the case City of Pasadena v. Matosantos, et al., SSC Case No. 34-20012-00134585.

Further, the funds necessary for repayment of the loan to the City's Sewer Fund may not be redirected by the DOF for other purposes. Specifically, enterprise monies cannot be used for general govenmental purposes not related to the delivery of services of the enterprise for which the funds were collected. By rejecting this obligation on the ROPS 13-14A, the DOF is effectively reallocating funds that are otherwise meant for repayment of the loan to the Sewer Fund and to which the City is entitled. The DOF is not permitted to take local funds indirectly simply because they were lent to the Former CDC-RDA toward the street resurfacing project, if the DOF is prohibited from taking such local funds directly from the City.

Finally, the loan from the City's Sewer Fund and the Former CDC-RDA's agreement to repay said loan were never challenged and, therefore, they have been validated by operation of law pursuant to the Validation Statute discussed above.

B. Background/History *(Provide relevant background/history, if applicable.)*

Pursuant to an Indenture of Trust, dated as of June 1, 2004, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of January 1, 2005, and a Second Supplement to Indenture of Trust, dated as of January 1, 2005 and further supplemented by a Third Supplement to Indenture of Trust, dated as of March 1, 2011, each by and between the Former CDC-RDA and Deutsche Bank National Trust Company, as trustee, the Issuer issued the Bonds on the date of the Certificate Regarding Use of Proceeds dated March 3, 2011. The Bonds were issued for the purpose of providing funds to construct and complete specific long standing projects that benefit the residents and community, all as listed in the "Certificate Regarding Use of Proceeds" and on the ROPS 13-14A

in the Item Numbers referenced above. The bond proceeds must be spent within three years and no later than March 3, 2014.

In Fiscal Year 2010-2011, the Former CDC-RDA and the City of National City undertook a $4.0 million street resurfacing program that was funded in part by a $1.5 million loan from the City's Sewer Fund, which is a special enterprise fund of monies collected and held by the City for particular purposes. The Former CDC-RDA committed a total of $771,250 of tax increment funds toward the street resurfacing project in the form of loan repayments to the City's Sewer Fund over a three year period. These funds were special enterprise funds of the City and require to be repaid in accordance with the repayment schedule.

C. Justification *(Provide additional attachments to this form, as necessary.)*

See justification discussed above.

Attachment No. 1 - Certificate regarding Use of Proceeds (2011 Tax Allocation Bonds)
Attachment No. 2 - Resolutions and Sewer Loan Repayment Agreement, including Promissory Note

Agency Contact Information

Name:	Brad Raulston	Name:	
Title:	Executive Director	Title:	
Phone:	(619) 336-4250	Phone:	
Email:	braulston@nationalcityca.gov	Email:	
Date:	April 12, 2013	Date:	

Department of Finance Local Government Unit Use Only

REQUEST TO MEET AND CONFER DATE: ☐ APPROVED ☐ DENIED

REQUEST APPROVED/DENIED BY: _____ DATE: _____

MEET AND CONFER DATE/TIME/LOCATION: _____

MEET AND CONFER SESSION CONFIRMED: ☐ YES DATE CONFIRMED: _____

DENIAL NOTICE PROVIDED: ☐ YES DATE AGENCY NOTIFIED: _____

Form DF-MC (Revised 9/10/12)

$39,660,000
COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY
(National City Redevelopment Project)
2011 TAX ALLOCATION BONDS

CERTIFICATE REGARDING USE OF PROCEEDS

The undersigned is the Executive Director of the Community Development Commission of the City of National City (the "Issuer"), is authorized to execute this certificate on behalf of the Issuer, is knowledgeable with respect to the matters set forth herein, and hereby states and certifies as follows:

(1) Issuance of Bonds. Pursuant to an Indenture of Trust, dated as of June 1, 2004, as amended and supplemented by a First Supplement to Indenture of Trust, dated as of January 1, 2005, and a Second Supplement to Indenture of Trust, dated as of January 1, 2005 and further supplemented by a Third Supplement to Indenture of Trust, dated as of March 1, 2011, each by and between the Commission and Deutsche Bank National Trust Company, as trustee (as amended and supplemented, the "Indenture"), the Issuer is issuing the bonds captioned above (the "Bonds") on the date of this Certificate.

(2) Project Fund Deposits. Of the proceeds of the Bonds received on the Closing Date, a total of $33,942,161.05 will be deposited in the following Redevelopment Fund the "Project Fund"):

(3) Description of Project. The proceeds of the Bonds deposited in the Project Fund will be used to finance the capital improvements (collectively, the "Project") more particularly described in Part I of Exhibit A hereto attached and by this reference herein incorporated.

(4) Private Uses of Project. Part II of Exhibit A describes:

(A) each use to be made of the Project by any private person or entity (that is, any entity *other than* (i) the Issuer, (ii) other non-federal governmental entities, or (iii) members of the public generally), and

(B) all payments (if any) directly or indirectly in respect of any use to be made of the Project by any private person or entity, which are to be made after the Closing Date.

(5) Expenditure of Project Funds. Part III of Exhibit A contains a schedule of reasonably expected expenditures of proceeds of the Bonds from the Project Fund for costs of the Project.

(6) No Private Loans. No portion of the proceeds of the Bonds will be used, directly or indirectly, to make or finance a loan to any person (other than a State or local government unit).

(7) Expectations Regarding Project Use for Life of Bonds. The Issuer reasonably expects to use the Project for the purposes described in Exhibit A or for other governmental purposes of the Issuer during the entire term of the Bonds.

(8) Practices and Procedures for Accounting for and Monitoring of Bond Proceeds. The Issuer will, after the Closing Date, institute practices and procedures to assure that the proceeds of the Bonds are used in such a manner:

(A) so as not to violate the provisions of the Internal Revenue Code of 1986, as amended, under which interest on the Bonds is excluded from federal income taxation, and

(B) to comply with State and local legal requirements regarding the valid incurrence of debt and permitted uses of the proceeds of the Bonds.

These practices and procedures generally will account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Project financed with the proceeds of the Bonds, and (iii) any changes in the underlying structure of the Bond financing. These practices and procedures will include (but not be limited to) the items set forth in Exhibit B hereto.

The Issuer will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the bonds which refunded the Bonds.

The Issuer acknowledges that the list in Exhibit B is not exclusive and covenants to comply with all tax limitations and requirements imposed with respect to the Bonds after the Closing Date. Unless otherwise set forth in the practices and procedures of the Issuer, Urban Futures, Inc., will initially undertake post-issuance compliance relating to the Bonds.

(9) Investment of Bond Proceeds. The proceeds of Bonds excluding amounts in the reserve account, shall be invested in tax exempt municipal bonds, which may include non-AMT money market bonds.

(10) Certifications.

(a) The above statements are made on the basis of the facts, estimates and circumstances in existence on the date hereof and the undersigned has exercised due diligence to assure that all material facts, estimates and circumstances relating to the above statements were made available to the undersigned and reviewed by the undersigned.

(b) To the best knowledge of the undersigned, the above statements are reasonable and there are no other facts, estimates or circumstances, other than those set forth herein, that would materially affect the statements made herein.

(c) The undersigned is aware that Jones Hall, A Professional Law Corporation, is rendering an opinion on the date hereof substantially to the effect that the interest on the Bonds is excluded from gross income for federal income tax purposes and in rendering such opinion is relying upon the statements made in this Certificates and in the Exhibits attached to this Certificate.

IN WITNESS WHEREOF, I have hereunto set my name this 3rd day of March, 2011

Chris Zapata, Executive Director

EXHIBIT A

PART I. Detailed Description of Project

The Bonds are being issued to finance redevelopment projects, primarily including the following.

Westside Infill Transit Oriented Development
Estimated Cost: $21,000,000
Architecture/Engineering/Design (A/E/D) Status: 60%
Construction Start - End: 2012 Q1 – 2014 Q1
Obligations: CEQA, Exclusive Negotiating Agreement (ENA), Land Acquisition, DDA (proposed Council approval on March 8th)

The City has been working on this family affordable housing project for over five years. The project is scheduled to be built in two phases. There will be 98 units for Phase I and 103 units for Phase II. The project went through program and project level CEQA review as part of the Westside Specific Plan which was adopted by the City Council in in 2010. After earning community support and environmental clearance the City issued a RFQ to recruit a development partner. Related Companies of California was selected an the City entered into an ENA. Related and the City applied for a Prop 1C grant through the State Department of Housing and Community Development as was awarded $11.2 million. The project has continued design development and the City is currently is escrow to acquire the final parcel of land necessary to make site fully assembled. Escrow with the Illes Family Trust is scheduled to close March 17, 2011.

8th Street Smart Growth Grant Match Phase I and II
Estimated Cost: $1,800,000
Architecture/Engineering/Design (A/E/D) Status: 90%
Construction Start - End: 2011 Q3 – 2012 Q3
Obligations: CEQA, Grant
The City adopted the Downtown Specific Plan in 2006. The plan proposed smart growth development in the historic downtown of National City centered at the intersection of National City Boulevard and 8th Street. To implement the plan the City applied to SANDAG for a smart growth grant and received the highest score and maximum distribution of $2 million dollars. The city is required to match that grant with at least $500k in tax increment. The improvements are fully entitled and 90% designed. All of that construction will start this year in September.

Coolidge Corridor I
Estimated Cost: $200,000
Architecture/Engineering/Design (A/E/D) Status: 70%
Construction Start - End: 2011 Q4 – 2012 Q3
Obligations: CEQA, Grant
The City received a safe route to school grant for $720k that required a city match of $200k. Construction documents are being prepared for the project which will provide pedestrian and safety enhancements around Kimball Elementary.

Gateway Project-Sudberry
Estimated Cost: $2,500,000

Architecture/Engineering/Design (A/E/D) Status: 100%
Construction Start - End: 2012 Q1 – 2013 Q1
Obligations: Site control, Co-op, DDA (proposed Council approval on March 8th)
This project is a 20 acre regional commercial center that is anchored by a Lowe's home improvement store. The City is contributing land and providing $2.5 million worth of off-site improvements for the project. DDA has been drafted. Permits and final approvals are pending funding.

D Avenue Community Corridor I
Estimated Cost: $125,000
Architecture/Engineering/Design (A/E/D) Status: 80%
Construction Start - End: 2012 Q3 – 2013 Q2
Obligations: CEQA, Grant
D Ave has been identified as a community corridor which provides plans to improve the street with traffic, pedestrian, bicycle, and safety improvements. The city received a safe route to school grant of $500k for the intersection of 12th and D Ave. The local match requirement is $125k funded by tax increment.

Aquatic Center
Estimated Cost: $3,300,000
Architecture/Engineering/Design (A/E/D) Status: 100%
Construction Start - End: 2012 Q1 – 2013 Q2
Obligations: CEQA, Permits
This project is fully entitled, designed, and permitted. Tax increment was identified as a funding source. The facility is intended to provide boat and kayak access to the San Diego Bay from a site adjacent to the National City boat launch. Currently the city is in partnership with the South Bay YMCA to operate a recreational program out of temporary facilities.

Las Palmas Park Facilities Plan I
Estimated Cost: $6,500,000
Architecture/Engineering/Design (A/E/D) Status: 30%
Construction Start - End: 2012 Q3 – 2013 Q4
Obligations: Facility Plan, General Plan Update
Las Palmas Park is the location of the public swimming pool, Camacho Gymnasium, and additional recreational facilities. The pool was recently rebuilt with grant funds and impact fees. There wasn't enough funding to complete the facility and the locker room and other public facilities are in poor condition. There are conceptual plans to upgrade those facilities. The adjacent Camacho Gym is also in disrepair and has been on the City CIP list as a need without an identified funding source. Through the General Plan Update a concept plan was created for the entire park, including the golf course, that envisions new facilities and better access. Phase 1 of that plan would include all of the improvements that would occur on city controlled land. Phase 2 estimated costs assume the acquisition of the long term lease to American Golf for operating the municipal golf course.

PART II. Description of Any Private Use of Project

A. Describe each use to be made of the Project by any private person or entity (that is, any entity *other than* (i) the Issuer, (ii) other non-federal governmental entities, or (iii) members of the public generally). For this purpose, "use" includes, without limitation, sales, leases or other use agreements with respect to the Project with private, nongovernmental entities. "Use" of the Project *does not include* uses by members of the general public within the meaning of §1.141-3© of the Treasury Regulations (the "Regulations").

None.

B. Payments to be made on or after date hereof in respect of above uses.

None.

EXHIBIT A (continued)

PART III. Schedule of Expected Expenditures of Proceeds of the Bonds

List all reasonably expected expenditures of the Bond proceeds deposited in the Project Fund (including earnings thereon to the extent those earnings remain on deposit in the Project Fund). Dates may be shown as monthly or quarterly dates.

All Bond proceeds should be expected to be spent within 3 years after the date the Bonds are issued.

Expenditure Date	Expenditure Amount
2011 Q2	$150,000
2011 Q3	$500,000
2011 Q4	$850,000
2012 Q1	$1,700,000
2012 Q2	$2,250,000
2012 Q3	$4,950,000
2012 Q4	$5,525,000
2013 Q1	$6,500,000
2013 Q2	$5,000,000
2013 Q3	$4,000,000
2013 Q4	$3,000,000
2014 Q1	$1,000,000
2014 Q2	
2014 Q3	
2014 Q4	
Total:	$35,425,000

EXHIBIT B

POST ISSUANCE COMPLIANCE

General

The Issuer will take all appropriate action to assure that (i) no use of the proceeds of the Bonds, and no other event or action, will cause the Bonds to violate federal income tax limitations with respect to the exclusion of interest on the Bonds from federal income taxation, and (ii) all uses of proceeds of the Bonds comply with State and local legal requirements regarding the valid incurrence of debt and permitted uses of proceeds of the Bonds.

Without limiting the generality of the foregoing, the Issuer will take the following actions to account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Project financed with the proceeds of the Bonds, and (iii) any changes in the underlying structure of the Bond financing.

Non-governmental Uses of the Bond-Financed Facilities

1. Monitor and document sales, leases or other use agreements with respect to the Project with nongovernmental entities, not including uses by members of the general public within the meaning of §1.141-3(c) of the Regulations. Compute the percent of private business use or private payments or private security with respect to those nongovernmental uses.

2. Monitor and document management contracts (see e.g., Rev. Proc. 97-13) with nongovernmental entities.

3. Monitor and document other special legal entitlements with respect to the Bond-financed property (e.g., licenses, use agreements, easements, etc.).

Allocation of Bond Proceeds to Expenditures

1. Allocate proceeds of Bonds to expenditures subject to §1.148-6(d) and §1.141-6(a) of the Regulations by 18 months after the later of the date the expenditure was made or the date the project was placed in service, but not later than the earlier of 5 years after the Bonds were issued or 60 days after the issue is retired. Document this allocation.

2. Monitor and document reimbursement of expenditures paid from non-Bond proceeds prior to the date of issue of the Bonds and verify compliance with §1.150-2 of the Regulations.

Arbitrage

1. Hire a rebate calculation agent or perform rebate calculations internally.

2. Rebate payments:

a. The first installment is due 60 days after the end of 5th bond year.

b. Succeeding installments are due 60 days after end of every 5th bond year thereafter.

c. The final installment is due 60 days after retirement of the last bond of the issue.

3. Monitor expenditures of Bond proceeds for qualification for rebate expenditure exceptions: 6-month exception, 18-month exception or 24-month exception.

4. Monitor expenditures of Bond proceeds against date of issuance expectations regarding 3-year or 5-year temporary periods and 5-year hedge bond limitations.

Record Retention

1. Retain records of all accounting and monitoring the Issuer carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Issuer will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the bonds which refunded the Bonds.

2. Maintain special records required by the safe harbor for investment contracts or defeasance escrows under §1.148-5 of the Regulations.

3. Maintain a record of the identification on the Issuer's books and records of any "qualified hedge" contract under §1.148-4(h)(2)(viii) and §1.148-11A(i)(3) of the Regulations.

4. Maintain a record of any election not to take depreciation on property required to be owned by a governmental unit which is leased to a nongovernmental entity as required by §1.103(n)-2T Q/A7 of the Regulations.

5. Maintain records of accounting for rebate for a period of at least 3 years after the earlier of the maturity or redemption of the Bonds.

Reissuance

A significant modification of the Bond documents may result in the Bonds being deemed refunded or "reissued". Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new arbitrage certificate. Qualified bond counsel should be consulted in the event of modification of the Bond documents.

RESOLUTION NO. 2010 – 148

RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY AUTHORIZING THE CUMULATIVE EXPENDITURE OF $771,250 OF TAX INCREMENT FUNDS FOR THE FISCAL YEARS 2010-2013 STREET RESURFACING IMPROVEMENT PROGRAM

WHEREAS, the City of National City (the "City") has an on-going Street Resurfacing Program that includes repairs of curbs, gutters, sidewalks, driveways, pedestrian crossings, and provides traffic stripping and signage; and

WHEREAS, the City Engineering Division desires to implement a Street Resurfacing Project for fiscal year 2010-2011 because to defer the repair and resurfacing of streets would lead to higher costs in the future due to worsening pavement conditions and escalating construction costs; and

WHEREAS, the street resurfacing program for fiscal year 2010-2011 will cost approximately $4,043,000 utilizing carry-over TransNet funds in the amount of $1,000,000; Proposition 1B funds in the amount of $908,000; and Proposition 42 Replacement funds in the amount of $635,000; and

WHEREAS, the Engineering Division desires to borrow the remaining balance of $1,500,000 through an interim loan from the Sewer Funds as follows:

- The principal amount of the loan will be $1,500,000.
- Funds will be transferred from the Sewer Fund into Street Resurfacing Project Accounts 511-409-580-598-6035 and 307-409-580-598-6035 as necessary.
- The interest on the loan shall be at the rate of 0.75% per annum on the unpaid balance, totaling $40,102.64.
- The loan will be repaid with interest, using the graduated payment schedule below:

June 30, 2011	$11,250.00	Tax Increment Funds
June 30, 2012	$340,000.00	Tax Increment Funds
June 30, 2013	$420,000.00	Tax Increment Funds
June 30, 2014	$350,000.00	TransNet (Prop A) Funds
June 30, 2015	$418,852.64	TransNet (Prop A) Funds
TOTAL:	$1,540,102.64	

WHEREAS, taking advantage of the debt financing from sewer funds gives the City the opportunity to resurface a large number of street sections in one year resulting in long-term-cost savings that will more than compensate for the interest and other costs paid on the debt; and

WHEREAS, pursuant to the Redevelopment Plan for the National City Redevelopment Project, the Community Development Commission of the City of National City ("CDC") is authorized to expend tax increment funds for public improvements, including but not limited to street improvements.

NOW, THEREFORE, BE IT RESOLVED that the Community Development Commission of the City of National City hereby authorizes the expenditure of $771,250 in tax increment funds for the City's Fiscal Year 2010-2011 Street Resurfacing Improvement Program, said funds to be utilized to repay a portion of a $1,500,000 loan to the City's Sewer Enterprise Fund, according to the graduated payment schedule set forth in the attached Exhibit "A".

PASSED and ADOPTED this 22nd day of June, 2010.

Ron Morrison, Chairman

ATTEST:

Brad Raulston, Secretary

APPROVED AS TO FORM:

George H. Eiser, III
City Attorney

Loan Amortization Schedule — Graduating Payment for $1.5M

Enter values	
Loan amount	$ 1,500,000.00
Annual interest rate	0.75 %
Loan period in years	5
Number of payments per year	1
Start date of loan	6/30/2010
Optional extra payments	$ -

Lender name: Sewer Service Fund

Loan summary	
Scheduled payment	$ 306,783.62
Scheduled number of payments	5
Actual number of payments	5
Total early payments	$ -
Total interest	$ 40,102.64

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest	
1	6/30/2011	$ 1,500,000.00	$ 11,250.00	$ 11,250.00	$ -	$ 11,250.00	$1,500,000.00	$ 11,250.00	TI
2	6/30/2012	1,500,000.00	340,000.00	340,000.00	328,750.00	11,250.00	1,171,250.00	22,500.00	TI
3	6/30/2013	1,171,250.00	420,000.00	420,000.00	411,215.63	8,784.38	760,034.38	31,284.38	TI
4	6/30/2014	760,034.38	350,000.00	350,000.00	344,299.74	5,700.26	415,734.63	36,984.63	Prop A
5	6/30/2015	415,734.63	418,852.64	418,852.64	415,734.63	3,118.01	0.00	40,102.64	Prop A

Exhibit A

Passed and adopted by the Community Development Commission of the City of National City, California, on June 22, 2010, by the following vote, to-wit:

Ayes: Commissioners Morrison, Sotelo-Solis, Van Deventer, Zarate.

Nays: None.

Absent: None.

Abstain: None.

AUTHENTICATED BY: RON MORRISON
Chairman, Community Development Commission

Secretary, Community Development Commission

By: _____
Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2010-148 of the Community Development Commission of the City of National City, California, passed and adopted on June 22, 2010.

_____
Secretary, Community Development Commission

By: _____
Deputy

RESOLUTION NO. 2011 – 59

RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY ("CDC") AUTHORIZING THE CHAIRMAN TO EXECUTE A SEWER LOAN REPAYMENT AGREEMENT WITH THE CITY OF NATIONAL CITY FOR A PORTION OF THE REPAYMENT OF THE SEWER FUND LOAN USED FOR STREET RESURFACING, AND MAKING CERTAIN DETERMINATIONS AND FINDINGS RELATED THERETO

WHEREAS, the City Council of the City of National City (the "City Council") adopted the Redevelopment Plan for National City Redevelopment Project on July 17, 2007, by Ordinance No. 2007-2295 (the "Redevelopment Plan"), which results in the allocation of a portion of the property taxes generated from the National City Redevelopment Project (the "Project Area") to the Community Development Commission of the City of National City (the "CDC") for purposes of redevelopment; and

WHEREAS, the intent of the Redevelopment Plan is, in part, to provide for the construction and installation of necessary public infrastructure and facilities, to facilitate the repair, restoration and/or replacement of existing public facilities, and to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Project Area; to increase, improve and preserve the community's supply of low and moderate income housing; and to take all other necessary actions to implement the Redevelopment Plan and to expend the CDC's share of property taxes (referred to as "tax increment") to accomplish the goals and objectives of the Redevelopment Plan; and

WHEREAS, the CDC has adopted its Five-Year Implementation Plan for the Project Area, as amended from time to time (collectively, the "Implementation Plan") with established goals to support affordable housing, economic development, community revitalization, commercial revitalization, and institutional revitalization. To implement the programs and activities associated with each goal, the CDC has made redevelopment fund commitments and budget allocations based on estimated available tax increment revenue and debt financing structures; and

WHEREAS, the City and CDC wish to cooperate with one another to bring about the redevelopment of the Project Area, and accomplish various tasks set forth in the Redevelopment Plan and the Implementation Plan; and

WHEREAS, pursuant to Resolution No. 2010-148 (the "Resolution"), the CDC agreed to provide partial funding for the City's Street Resurfacing Improvement Program for fiscal year 2010-2011 to repair curbs, gutters, sidewalks, driveways, and pedestrian crossings, and provide traffic striping and signage in the Project Area (the "Program"). The Resolution authorized the expenditure of Seven Hundred Seventy One Thousand Two Hundred Fifty Dollars and 00/100 ($771,250.00.00) of tax increment funds to reimburse the City's interim loan from its Sewer Funds to complete the Program as the CDC's contribution to the cost of the work associated with the Program (said amount referred to as the "CDC's Funding Obligation"); and

WHEREAS, pursuant to Section 33220 of the California Community Redevelopment Law (Health and Safety Code Section 3300, et seq.) (the "CRL") certain public bodies, including the City, may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects; and

WHEREAS, the CDC and City desire to enter into a Loan Agreement (the "Agreement") to provide for implementation of the Program, under which payments will be made by the CDC to the City as otherwise necessary to reimburse the City for the cost to the City of installing and constructing the Program; and

WHEREAS, the obligations of the CDC under the Agreement shall constitute an indebtedness of the CDC for the purpose of carrying out the Redevelopment Plan for the Project Area; and

WHEREAS, it is in the best interests of the City and for the common benefit of residents, employees, business tenants and property owners within the Project Area, and the City as a whole, for the Program to be developed and constructed in accordance with the Agreement; and

WHEREAS, the Agreement shall require the City to comply with Public Resources Code Sections 21000, et seq. ("CEQA") before undertaking the Program and, pursuant to CEQA Guideline Section 15378(b)(4), approval of the Agreement is not a project subject to the California Environmental Quality Act ("CEQA"), because the Agreement consists of the creation of a governmental funding mechanism for various public improvements, but does not commit funds to any specific public improvement, in that environmental review required by CEQA shall be completed prior to the commencement of any public improvement listed in the Agreement; and

WHEREAS, all other legal prerequisites to the adoption of this Resolution have occurred.

NOW, THEREFORE, BE IT RESOLVED by the Community Development Commission of the City of National City as follows:

Section 1. The CDC has received and heard all oral and written objections to the Agreement, and to other matters pertaining to this transaction, and all such oral and written objections are hereby overruled.

Section 2. The Commission hereby finds and determines that the foregoing recitals are true and correct.

Section 3. Based on the evidence in the record, the CDC hereby finds and determines, with respect to the Program that:

(a) Said programs and activities associated therewith are of benefit to the Project Area by helping to eliminate blight within the Project Area or providing housing for low- or moderate income persons; and

(b) No other reasonable means of financing said Program and the programs and activities associated therewith are available to the community; and

(c) The payment of funds by the CDC for the costs related to said Program and the programs and activities associated therewith is consistent with the respective Implementation Plan adopted pursuant to Section 33490 of the CRL.

Section 4. The CDC's Chairman, or designee, is hereby authorized to execute the Agreement on behalf of the CDC, together with such non-substantive changes and amendments as may be approved by the CDC's Executive Director and CDC General Counsel.

Section 5. The CDC's Executive Director, or designee, is hereby authorized, on behalf of the CDC, to sign all documents necessary and appropriate to carry out and implement the Agreement, including, without limitation, any security instruments to be recorded against CDC assets to secure the CDC's obligations under the Agreement, and to administer the CDC's obligations, responsibilities and duties to be performed under the Agreement.

Section 6. In the event the CDC desires to issue bonds, notes, or other instruments of indebtedness of the CDC to carry out redevelopment projects, then any indebtedness of the CDC to the City, including any interest accrued thereon, shall be deemed not to be a first pledge of tax increment allocations received by the CDC pursuant to Section 33670 of the CRL; and any indebtedness of the CDC to the City, including any interest accrued thereon, shall be subordinate to any pledge of tax increments to bondholders or the holders of other such instruments of indebtedness.

Section 7. Said Agreement is on file in the office of the City Clerk.

Section 8. This Resolution shall take effect immediately upon its adoption.

PASSED and ADOPTED this 1st day of March, 2011.

Ron Morrison, Chairman

ATTEST:

Brad Raulston, Secretary

APPROVED AS TO FORM:

Claudia G. Silva
CDC General Counsel

Passed and adopted by the Community Development Commission of the City of National City, California, on March 1, 2011, by the following vote, to-wit:

Ayes: Commissioners Morrison, Natividad, Rios, Sotelo-Solis, Zarate.

Nays: None.

Absent: None.

Abstain: None.

AUTHENTICATED BY: RON MORRISON
Chairman, Community Development Commission

Secretary, Community Development Commission

By: _____
Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of RESOLUTION NO. 2011-59 of the Community Development Commission of the City of National City, California, passed and adopted on March 1, 2011.

Secretary, Community Development Commission

By: _____
Deputy

LOAN AGREEMENT
FOR FY 2010-2011 STREET RESURFACING IMPROVEMENT PROGRAM

THIS LOAN AGREEMENT (this "**Agreement**") is entered into this _____ day of March, 2011, by and between the CITY OF NATIONAL CITY (the "**City**") and the COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY (the "**Commission**"), with reference to the following facts:

A. The City Council of the City of National City (the "**City Council**") adopted the Redevelopment Plan for National City Redevelopment Project on July 17, 2007 by Ordinance No. 2007-2295 (the "**Redevelopment Plan**"), which results in the allocation of a portion of the property taxes generated from the National City Redevelopment Project (the "**Project Area**") to the Commission for purposes of redevelopment.

B. The intent of the Redevelopment Plan is, in part, to provide for the construction and installation of necessary public infrastructure and facilities and to facilitate the repair, restoration and/or replacement of existing public facilities and to perform specific actions necessary to promote the redevelopment and the economic revitalization of the Project Area; to increase, improve and preserve the community's supply of low and moderate income housing; and to take all other necessary actions to implement the Redevelopment Plan and to expend the Commission's share of property taxes (referred to as "**tax increment**") to accomplish the goals and objectives of the Redevelopment Plan.

C. The Commission has adopted its Five-Year Implementation Plan for the Project Area, as amended from time to time (collectively, the "**Implementation Plan**") with established goals to support affordable housing, economic development, community revitalization, commercial revitalization, and institutional revitalization. To implement the programs and activities associated with each goal, the Commission has made redevelopment fund commitments and budget allocations based on estimated available tax increment revenue and debt financing structures.

D. Pursuant to its Resolution No. 2010-148 (the "**Resolution**"), the Commission agreed to provide partial funding for the City's Street Resurfacing Improvement Program for fiscal year 2010-2011 to repair curbs, gutters, sidewalks, driveways, and pedestrian crossings, and provide traffic striping and signage in the Project Area (the "**Program**"). The Resolution authorized the expenditure of SEVEN HUNDRED SEVENTY ONE THOUSAND TWO HUNDRED FIFTY DOLLARS and 00/100 ($771,250.00.00) of tax increment funds to reimburse the City's interim loan from its Sewer Funds to complete the Program as the Commission's contribution to the cost of the work associated with the Program (said amount referred to as the "**Commission's Funding Obligation**".)

E. Pursuant to Section 33220 of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) (the "**CRL**"), certain public bodies, including the City may aid and cooperate in the planning, undertaking, construction, or operation of redevelopment projects. Consistent with said provisions, the City and Commission agreed to carry out the

Program in accordance with the objectives and purposes of the Redevelopment Plan and the Implementation Plan. The Commission expressed its desire for assistance and cooperation in the implementation of the Program, particularly as it pertained to the Project Area portions of the infrastructure in question. The City agreed to aid the Commission and cooperate with the Commission to expeditiously implement the Program in accordance with the Redevelopment Plan and the Implementation Plan and undertake and complete all actions necessary or appropriate to ensure that the objectives of the Redevelopment Plan and the Implementation Plan are fulfilled within the City's fiscal year 2010-2011 as promised to the Commission.

F. In considering the Commission's desire to ensure timely implementation and completion of the Program, the Commission wishes to enter into this Agreement with the City for the funding from of net available tax increment ("**Net Tax Increment**"), as defined, below, to finance the Commission's Funding Obligation. The purpose of this Agreement is to facilitate the implementation of the Projects and to provide funding necessary to effectuate the completion of the Projects with Net Tax Increment in this current fiscal year and forthcoming fiscal years.

G. "**Net Tax Increment**" is defined as any tax increment generated from the Project Area, net of any amount required by the CRL to be set aside for purposes of increasing, improving or preserving the City's supply of low and moderate housing, any amounts paid to affected taxing agencies whether by statute or agreement and any amounts paid to the State of California or the County of San Diego as required by statute or agreement, existing debt service payments, and existing contractual obligations received by the Commission or any lawful successor of the Commission and/or to any of the powers and rights of the Commission pursuant to any applicable constitutional provision, statute or other provision of law now existing or adopted in the future. The pledge of Net Tax Increment shall constitute obligations to make payments authorized and incurred pursuant to Section 33445 and other applicable statutes. The obligations set forth in this Agreement will be contractual obligations that, if breached, will subject the Commission to damages and other liabilities or remedies.

H. The City Council and the Commission by resolution have each found that the use of Commission redevelopment funding for the improvement of critical infrastructure within the Project Area scheduled in the Program is in accordance with Section 33445 of the CRL and other applicable law. The said City Council and Commission resolutions are each based on the authority of the Commission, with the consent of the City Council, to pay all or part of the cost of the installation and construction of any building, facility, structure, or other improvements which is publicly owned within the Project Area, if the City Council makes certain determinations.

H. By approving and entering into this Agreement, the Commission has approved certain obligations, including the pledge of Net Tax Increment to pay for the Commission Funding Obligation.

I. The obligations of the Commission under this Agreement shall constitute an indebtedness of the Commission for the purpose of carrying out the Redevelopment Plan for the Project Area.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

I. INTRODUCTORY PROVISIONS

The recitals above are an integral part of this Agreement and set forth the intentions of the parties and the premises on which the parties have decided to enter into this Agreement.

II. COMMISSION'S OBLIGATIONS

1. The Commission agrees to pay to the City the Commission Funding Obligation for the Program as authorized by the Resolution. The Commission Funding Obligation shall be evidenced by a Promissory Note (the "Note") substantially in form attached hereto as Exhibit 1. The Commission's obligations under this Agreement, including without limitation the Commission's obligation to make the payments to the City required by this Agreement, shall constitute an indebtedness of the Commission for the purpose of carrying out the redevelopment of the Project Area and are obligations to make payments authorized and incurred pursuant to Section 33445 of the CRL and other applicable statutes. The obligations of the Commission set forth in this Agreement are contractual obligations that, if breached, will subject the Commission to damages and other liabilities or remedies.

2. The obligations of Commission under this Agreement shall be payable out of Net Tax Increment, as defined in the above recitals and/or as defined or provided for in any applicable constitutional provision, statute or other provision of law now existing or adopted in the future, levied by or for the benefit of taxing agencies in the Project Area, and allocated to the Commission and/or any lawful successor entity of the Commission and/or any entity established by law to carry out any of the redevelopment plans for the Project Area and/or expend tax increment or pay indebtedness of the Commission to be repaid with tax increment, pursuant to Section 33670 of the CRL or any applicable constitutional provision, statute or other provision of law now existing or adopted in the future, in amounts not less than those set forth in the Note.

3. The indebtedness of Commission under this Agreement shall be subordinate to the rights of the holder or holders of any existing bonds, notes or other instruments of indebtedness (all referred to herein as "indebtedness") of the Commission incurred or issued to finance the Project Area, including without limitation any pledge of tax increment revenues from the Project Area to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any bond or bonds issued or sold by Commission with respect to the Project Area.

4. All payments due to be made by the Commission to the City under this Agreement shall be made by the Commission in accordance with the schedule set forth in the Note and as otherwise necessary to reimburse the City for the cost to the City of performing its obligations hereunder. City shall provide Commission with reports accompanied by evidence reasonably satisfactory to the Commission's Executive Director that the City is making progress toward the satisfactory completion of the Program.

III. CITY'S OBLIGATIONS

1. The City shall perform all of the work for the Program. Any funds tendered by the Commission pursuant to this Agreement shall be devoted by the City to (i) payment for the portion of the Program work performed in the Project Area in an amount not to exceed the Commission's Funding Obligation or (ii) reimbursement to the City fund or funds from which the funding for the Program work in the Project Area was secured by the City.

2. It is the responsibility of City to pay all development and construction costs in connection with the Program from City funds and the sole obligation of the Commission under this Agreement shall be as set forth in Section II, above and further evidenced by the Note.

3. The City shall perform its obligations hereunder in accordance with the applicable provisions of federal, state and local laws, including the obligation to comply with environmental laws such as CEQA before undertaking each Project, and shall timely complete the work required for the Program, as provided in the Program.

IV. LIABILITY AND INDEMNIFICATION

In contemplation of the provisions of California Government Code section 895.2 imposing certain tort liability jointly upon public entities solely by reason of such entities being parties to an agreement as defined by Government Code section 895, the parties hereto, as between themselves, pursuant to the authorization contained in Government Code sections 895.4 and 895.6, shall each assume the full liability imposed upon it, or any of its officers, agents or employees, by law for injury caused by negligent or wrongful acts or omissions occurring in the performance of this Agreement to the same extent that such liability would be imposed in the absence of Government Code section 895.2. To achieve the above-stated purpose, each party indemnifies, defends and holds harmless the other party for any liability, losses, cost or expenses that may be incurred by such other party solely by reason of Government Code section 895.2.

V. ENTIRE AGREEMENT; WAIVERS; AND AMENDMENTS

1. This Agreement shall be executed in triplicate originals, each of which is deemed to be an original. This Agreement consists of six (6) pages and one (1) exhibit, which constitute the entire understanding and agreement of the parties.

2. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this Agreement.

3. This Agreement is intended solely for the benefit of the City and the Commission. Notwithstanding any reference in this Agreement to persons or entities other than the City and the Commission, there shall be no third party beneficiaries under this Agreement; provided, however, that City may, with the consent of Commission, which shall not be unreasonably withheld, assign City's rights and obligations, in whole or part, under this Agreement to any third party.

4. All waivers of the provisions of this Agreement and all amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

VI. SEVERABILITY

If any term, provisions, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

VII. DEFAULT

If either party fails to perform or adequately perform an obligation required by this Agreement within thirty (30) calendar days of receiving written notice from the non-defaulting party, the party failing to perform shall be in default hereunder. In the event of default, the non-defaulting party will have all the rights and remedies available to it at law or in equity to enforce the provisions of this contract, including without limitation the right to sue for damages for breach of contract. The rights and remedies of the non-defaulting party enumerated in this paragraph are cumulative and shall not limit the non-defaulting party's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the date of the Agreement or hereinafter enacted or established, that may be available to the non-defaulting party against the defaulting party. All notices of defaults shall clearly indicate a notice of default under this Agreement.

VIII. BINDING ON SUCCESSORS

This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

SIGNTURES ON NEXT PAGE

SPACE LEFT INTENTIONALLY BLANK

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

Attest:

By: _____
Mike Dalla
City Clerk

Attest:

By: _____
Brad Raulston, Secretary

CITY OF NATIONAL CITY

By: _____
Ron Morrison
Mayor

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

By: _____
Ron Morrison, Commission Chair

APPROVED AS TO FORM:

By: _____
Claudia G. Silva
City Attorney

APPROVED AS TO FORM:
Kane Ballmer & Berkman

By: _____
Susan Y. Cola
Commission Special Counsel

EXHIBIT 1

[behind this page]

PROMISSORY NOTE

TO THE CITY OF NATIONAL CITY

0.75% Interest
$771,250.00

National City, California
Date: March ___, 2011

FOR VALUE RECEIVED, the REDEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY, a public body, corporate and politic (the "Commission" or "Borrower") hereby promises to pay to the CITY OF NATIONAL CITY, a California general law city (the "City" or "Lender") the principal amount of SEVEN HUNDRED SEVENTY ONE THOUSAND TWO HUNDRED FIFTY DOLLARS and No/100 Cents ($771,250.00) (the "City Loan") together with interest on the unpaid principal balance from time to time outstanding at an annual rate of three quarters of one percent (0.75%).

This Promissory Note ("Note") evidences the City Loan to the Commission, and is given by the Commission pursuant to the Community Redevelopment Law and that certain Loan Agreement for Fiscal Year 2010-2011 Street Resurfacing Improvement Program, dated March ___, 2011, by and between the City and Commission (referred to herein as the "Agreement"). The Agreement is a public record on file in the offices of the Commission and the City, and the provisions of said document are incorporated herein by this reference.

1. Definitions. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Agreement. In addition, the following terms shall have the following meanings:

"City Loan" shall mean the loan made by the City to the Commission pursuant to the Community Redevelopment Law and the Agreement in the principal amount of SEVEN HUNDRED SEVENTY ONE THOUSAND TWO HUNDRED FIFTY DOLLARS and No/100 Cents ($771,250.00), which is evidenced by this Note.

"Community Redevelopment Law" shall mean the Community Redevelopment Law of the State of California set forth at California Health and Safety Code Section 33000 et seq.

"Net Tax Increment" shall mean any tax increment generated from the Project Area, net of any amount required by the CRL to be set aside for purposes of increasing, improving or preserving the City's supply of low and moderate housing, any amounts paid to affected taxing agencies whether by statute or agreement and any amounts paid to the State of California or the County of San Diego as required by statute or agreement, existing debt service payments, and existing contractual obligations received by the Commission or any lawful successor of the Commission and/or to any of the powers and rights of the Commission pursuant to any applicable constitutional provision, statute or other provision of law now existing or adopted in the future. The pledge of Net Tax Increment shall constitute obligations to make payments authorized and incurred pursuant to Section 33445 and other applicable statutes. The

obligations set forth in this Agreement will be contractual obligations that, if breached, will subject the Commission to damages and other liabilities or remedies.

"Person" means an individual, partnership, limited partnership, trust, estate, association, corporation, limited liability company or other entity, domestic or foreign.

"Tax Increment Revenue" means the portion of property tax revenues from the increase in assessed value of real property within the Project Area that has occurred after adoption of the Redevelopment Plan for the Project Area received by the Commission to pay the principal of and interest on loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Commission to finance or refinance, in whole or in part, its activities in the Project Area.

"Term" of this Note shall mean the period commencing from the execution of this Note by the Commission until June 30, 2013, which execution date shall constitute the "Effective Date" of this Note.

"Transfer" shall have the meaning set forth in Section 9 of this Note.

2. This Note evidences the obligation of the Commission to the City for the repayment of the City Loan.

3. This Note is payable at the principal office of the City, 1243 National City Boulevard, National City, California, 91950-4379, or at such other place as the holder hereof may inform the Commission, in writing, in lawful money of the United States.

4. This Note shall be secured by the Commission's pledge of Net Tax Increment Revenue as provided in the Agreement.

5. This Note shall bear interest at the rate of three quarters of one percent (0.75 %) per annum, simple interest, which shall begin to accrue upon the execution of the Agreement and this Note.

6. The indebtedness of the Commission under this Note shall be subordinate to the rights of the holder or holders of any existing bonds, notes and other instruments of indebtedness, and existing contractual indebtedness (all referred to herein as "indebtedness") of the Commission incurred or issued to finance its activities in the Project Area, including without limitation any pledge of tax increment revenues from the Project Area to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any existing bond or bonds issued or sold by the Commission with respect to the Project Area.

7. Prior to the expiration of the third (3^{rd}) anniversary following the Effective Date of this Note, the Commission shall be obligated to repay the City Loan from the Commission's Net Tax Increment, by making annual installment payments in accordance with the following schedule of payments:

PAYMENT DATE	TOTAL PAYMENT	PRINCIPAL	INTEREST
June 30, 2011	$11,250.00	$0.00	$11,250.00
June 30, 2012	$340,000.00	$328,750.00	$11,250.00
June 30, 2013	$420,000.00	$411,215.63	$8,784.38

In the event that additional funds are required in order to make the Commission payments to the City required by this Note, the Commission shall make such payments from income received by the Commission from its projects and programs or any other additional funds available to it. All payments to the City shall be applied first to interest, then to reduce the principal amount owed until the entire principal amount has been paid.

8. The entire unpaid principal balance of this Note and any accrued but unpaid interest shall be due and payable immediately in the event that there is a default by the Commission under the terms of this Note or the Agreement which is not cured within the respective time period provided herein and therein.

9. (a) Prior to the repayment in full of the City Loan, the Commission shall not assign or attempt to assign any right or interest in the Agreement (referred to hereinafter as a "Transfer"), without prior written approval of the City. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. The City shall not unreasonably withhold or delay its consent. If consent should be given, any such Transfer shall be subject to this Section 9, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein.

(b) Any such proposed transferee shall have the qualifications and financial responsibility necessary and adequate as may be reasonably determined by the City, to fulfill the obligations undertaken by the Commission in the Agreement and this Note. Any such proposed transferee, by instrument in writing satisfactory to the City, for itself and its successors and assigns, and for the benefit of the City shall expressly assume all of the obligations of the Commission under the Agreement and agree to be subject to all conditions and restrictions applicable to the Commission in this Note. There shall be submitted to the City for review all instruments and other legal documents proposed to effect any such Transfer; and if approved by the City its approval shall be indicated to the Commission in writing.

(c) In the absence of specific written agreement by the City, no unauthorized Transfer, or approval thereof by the City, shall be deemed to relieve the Commission or any other party from any obligations under the Agreement.

(d) In the event of a Transfer prior to the time the City Loan is paid in full, without the prior written consent of the City, the remaining principal balance of the City Loan and all accrued but unpaid interest shall be immediately due and payable.

(e) As used herein, "Transfer" includes the transfer, assignment, hypothecation or conveyance of legal or beneficial ownership of any interest in the Commission, or any conversion of the Commission to an entity form other than that of the Commission at the time of execution of this Note.

(f) The City shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder. Any disapproval shall be in writing and contain the City's reasons for disapproval.

10. Subject to the provisions and limitations of this Section 10, the obligation to repay the City Loan is a nonrecourse obligation of the Commission. Commission officials, employees, agents and attorneys shall not have any personal liability for repayment of the City Loan. The sole recourse of City for repayment of the City Loan shall be the exercise of its rights against the security for the City Loan. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by this Note; (b) limit the right of the City to name the Commission as a party defendant in any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against the Commission; (c) release or impair this Note; (d) prevent or in any way hinder the City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder the City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve the Commission of any of its obligations under any indemnity delivered by the Commission to the City; or (g) affect in any way the validity of any guarantee or indemnity from any Person of all or any of the obligations evidenced and secured by this Note. Notwithstanding the first sentence of this paragraph, City may recover directly from the Commission or from any other party:

(a) Any damages, costs and expenses incurred by the City as a result of fraud or any criminal act or acts of the Commission or any member, officer, director or employee of the Commission;

(b) Any damages, costs and expenses incurred by the City as a result of any misappropriation of funds;

(c) All court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that the City shall pay to the Commission the Commission's reasonable court costs and attorneys' fees if the Commission is the prevailing party in any such enforcement or collection action).

11. The Commission waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice. The Commission hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof, in the enforcement of this Note, the Agreement or any term or provision thereof.

12. Upon the failure of Commission to perform or observe any other term or provision of this Note, upon any event of acceleration described in Section 8, or upon the

occurrence of any other event of default under the terms of the Agreement, the holder may exercise its rights or remedies hereunder or thereunder.

13. (a) Subject to the extensions of time set forth in Section 14, and subject to the further provisions of this Section 13, failure or delay by the Commission to perform any material term or provision of this Note or the Agreement constitutes a default under this Note.

(b) The City shall give written notice of default to the Commission, specifying the default complained of by the City. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by the City in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by the City in asserting any of its rights and remedies shall not deprive the City of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If a monetary event of default occurs under the terms of this Note or the Agreement, prior to exercising any remedies hereunder or thereunder, the City shall give to the Commission written notice of such default. The Commission shall have a reasonable period of time after such notice is given within which to cure the default prior to exercise of any remedies by the City under this Note and/or the Agreement. In no event shall the City be precluded from exercising any remedies if its security becomes or is about to become materially impaired by any failure to cure a default or the default is not cured within ten (10) calendar days after the notice of default is received or deemed received.

(e) If a non-monetary event of default occurs under the terms of this Note or the Agreement, prior to exercising any remedies hereunder or thereunder, the City shall give to the Commission written notice of such default. If the default is reasonably capable of being cured within thirty (30) calendar days after such notice is received or deemed received, the Commission shall have such period to effect a cure prior to exercise of any remedies by the City under this Note and/or the Agreement. If the default is such that it is not reasonably capable of being cured within thirty (30) calendar days, and the Commission(i) initiates corrective action within said period, and (ii) diligently and in good faith works to effect a cure as soon as possible, then the Commission shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the City. In no event shall the City be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) calendar days after the notice of default is received or deemed received.

(f) Any notice of default that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice of default that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt by Borrower; and any notice of default that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

14. Notwithstanding specific provisions of this Note, the Commission shall not be deemed to be in default for failure to perform any non-monetary performance hereunder where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, material or tools, delays of any contractor, sub-contractor or supplier, acts of the City or any other public or governmental Commission or entity, or any causes beyond the control or without the fault of the Commission ("Force Majeure Event"). An extension of time for any such Force Majeure Event shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause of the Force Majeure Event, if notice by the Commission is sent to the City within thirty (30) calendar days of knowledge of the commencement of such cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Event unless and until the Commission delivers to the City written notice describing the event, its cause, when and how the Commission obtained knowledge, the date and the event commenced, and the estimated delay resulting therefrom. The Commission shall deliver such written notice within thirty (30) calendar days after it obtains actual knowledge of the Force Majeure Event. Times of performance under this Note may also be extended in writing by the City and the Commission.

15. If the rights created by this Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations shall be completely performed and paid.

16. The Commission shall have the right to prepay the obligation evidenced by this Note, or any part thereof, without penalty.

IN WITNESS WHEREOF, the Commission has executed this Note as of the day and year set forth above.

BORROWER

Attest:

COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF NATIONAL CITY

By: _____
Brad Raulston, Secretary

By: _____
Ron Morrison, Commission Chair

APPROVED AS TO FORM:

By: _____
Claudia G. Silva, General Counsel

APPROVED AS TO FORM:
Kane Ballmer & Berkman

By: _____
Susan Y. Cola
Commission Special Counsel