



Redevelopment and Financial Consulting

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ANNUAL REPORT

For 2009-10 Fiscal Year

Tax Allocation Bonds

Series 2002

Series 2006A

Series 2006 A-T

Series 2006 H-T

Redevelopment Agency of the City of Roseville

Roseville Redevelopment Project

March 2010

Section A - Introduction

In October 2002, the Roseville Redevelopment Agency issued its Tax Allocation Bonds, Series 2002 (2002 Bonds) in the amount of \$14,500,000. In October 2006, the Agency issued three series of Tax Allocation Bonds in the total amount of \$22,945,000 (2006 Bonds). As part of the issuance of the Bonds, the Agency executed two Continuing Disclosure Certificates. The Disclosure Certificates were 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 Securities and Exchange Commission Rule 15c2-12(b)(5).

The Disclosure Certificates require the Agency to file an Annual Report with each National Repository and each State Repository (if any) no later than eight months after the close of the fiscal year. The Annual Report must therefore be filed by March 31 of each year. There are currently no State Repositories in California.

The Annual Report needs to contain or incorporate by reference the following financial information or operating data on the Roseville Redevelopment Project Area (Project Area):

- (i) summary of Agency indebtedness payable from tax increment generated in the Project Area, including the amount outstanding as of June 30 of the most recent fiscal year, with a distinction between indebtedness payable from Housing Tax Revenues and Non Housing Tax Revenues;
- (ii) identity of pending and successful appeals of assessed values in the Project Area, but only if total appeals exceed, in the aggregate, 5% of assessed value in the Project Area;
- (iii) summary of taxable value in the Project Area for the most recent fiscal year;
- (iv) a listing of the ten major property tax assesses in the Project Area;
- (v) summary of historic receipts of tax increment in the Project Area, the Tax Revenues, Housing Tax Revenues, the debt service for the Bonds and any Parity Debt and the debt service coverage ratio for the Bonds and any Parity Debt for the most recently completed fiscal year;
- (vi) the annual Plan Limit calculation required to be made by the Agency under Section 14.03 of the Supplement and Section 5.13 of the Housing Indenture (regarding determining whether the aggregate amount of the principal of and interest on all Outstanding Bonds, including Outstanding Parity Debt, and Subordinate Debt coming due and payable, exceeds the maximum amount of

Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency).

The Annual Report must also contain the Audited Financial Statements of the Agency prepared in accordance with generally accepted accounting principles.

This Annual Report (Report) provides the required information for the Agency's fiscal year ending June 30, 2009 and includes data on annual tax increment revenues and coverage on bond debt service for the 2008-09 and 2009-10 fiscal years. The balance of this Report shows the required financial information and operating data and was provided by Fraser & Associates, the Agency's redevelopment consultant. The Audited Financial Statements are contained in Appendix A of this Annual Report. Maze & Associates prepared the Agency's Audited Financial Statements. Capitalized terms that are not defined herein have the meaning contained in the Indenture of Trust authorizing the Bonds.

The value and revenue estimates contained in the following section of this Report are based upon information and data which the Agency believes to be reasonable and accurate. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore are not represented as results that will actually be achieved. However, Fraser & Associates has conscientiously prepared them for the Agency on the basis of our experience in the field of financial analysis for redevelopment agencies.

Financial and Operating Data

This section of the Report includes the financial and operating data required to be disclosed as part of the Annual Report.

Outstanding Indebtedness

The Agency reported \$139.3 million in total debt outstanding on its 2009-10 Statement of Indebtedness (SOI). This included the 2002 Bonds, which represented \$21.7 million (inclusive of principal and interest) of the total debt and \$36.1 million for the 2006 A and H-T Bonds. The only debt recorded on the SOI that is senior to the Bonds is the Agency's housing set-aside deposit. All other debt reported on the SOI is subordinate to the Bonds. The debt of the Housing Fund, which represents the future amount of housing set-aside deposits, totaled \$18.5 million. The 2006 H-T Bonds are included within this debt.

Assessment Appeals

Taxpayers may appeal their property tax assessments. A review of recently resolved and open appeals was conducted. Based on data provided by the Placer County Assessor's

Office, there are 29 open appeals for 21 property owners in the Project Area. These are shown in the table below.

Open Appeals			
Assessee	Original Roll Value	Applicant's Opinion of Value	Potential Value Reduction
701 CIRBY WAY LLC	\$3,582,179	\$2,000,000	\$1,582,179
AGILIENT TECHNOLOGIES (LESSEE)	16,183,421	8,000,000	8,183,421
AINSWORTH KENNETH	799,556	634,340	165,216
AUTO CAR INC	6,486,471	2,000,000	4,486,471
CP INVESTMENT GROUP I LLC	3,126,079	1,719,342	1,406,737
FINKELSTEIN COMMERCIAL PROPERT	2,829,650	1,478,497	1,351,153
GAMBOA ROBERT J & JANET HOAG	3,979,561	3,050,000	929,561
GMRI INC / DARDEN RESTAURANTS	2,932,589	1,466,294	1,466,295
HOME DEPOT USA INC	15,212,643	9,947,030	5,265,613
JACQUES MICHAEL D & PATRICIA M	1,334,700	534,000	800,700
KEN INC (1)	16,000,000	10,612,079	5,387,921
KOBRA PRESERVE/PROPERTIES	50,893,340	36,835,672	14,057,668
LAIWALLA NOORALLAH NUREDIN ET	1,612,663	1,215,810	396,853
MASTERS CAPITAL ROSEVILLE LLC	3,065,854	2,090,000	975,854
ROSEVILLE AUTOMALL ASSOCIATION	4,337,272	1,633,877	2,703,395
ROSEVILLE MOTOR CORPORATION	17,527,818	8,000,000	9,527,818
RREEF AMERICA REIT II CORP PPP	42,076,897	12,622,000	29,454,897
VANDERBEEK RONALD T ET AL	11,908,467	5,000,000	6,908,467
W2005 FARGO HOTELS POOL C REAL	41,597,887	13,233,020	28,364,867
WELLS FARGO BANK NA	2,988,366	896,000	2,092,366
WESTERN MEDIA INC	9,525,400	4,700,000	4,825,400
Total	258,000,813	127,667,961	130,332,852

(1) Owner received a value reduction in February 2010.

Should each of these appeals be granted, future taxable value could be reduced by over \$130 million.

Proposition 8 Appeals

A number of counties in California, including Placer County, formally announced that they would process temporary assessed value reductions for certain properties (Proposition 8 reductions) where the assessed values exceeded the current market value of properties as of January 1, 2009 without prompting from individual taxpayers. Typically, the properties to be reviewed by the various counties for these “automatic” reductions are single family homes and condominiums which transferred ownership between 2003 and December 31, 2009. These Proposition 8 reductions were triggered because residential property values have decreased in many areas of the state.

The Placer County Assessor's Office has processed across the board Proposition 8 reductions in both 2008-09 and 2009-10. For 2008-09, the County made reductions in value for 35,000 properties county-wide. The County reduced value in 2009-10 for over 50,000 properties countywide. For the Project Area a total of 100 residential parcels were reduced by \$6.6 million for 2008-09, which represented a 23 percent reduction. In 2009-10, 144 parcels were reduced by a total of \$7.2 million. Many of these had also been reduced in the 2008-09 tax roll. Of this number, we estimate that 25 were sales of property and the balance were reduced pursuant to Proposition 8. These reductions are already incorporated into the 2009-10 taxable values used in this report to calculate tax increment. The Assessor's Office is also reviewing residential properties for the 2010-11 tax roll, although no data is currently available on potential impacts.

In order to provide some indication of potential reductions for 2010-11, we reviewed information from Data Quick on recent sales prices. The median price of single-family homes in Roseville that were sold in January 2010 represented a decline of 12 percent from January 2009 prices. It should be kept in mind that this likely overstates the potential future impacts, since it does not take into account all of the properties that have been reduced pursuant to Proposition 8. Should each of the parcels that were reduced on the 2009-10 tax roll receive an additional value reduction of 6 percent (assuming half the decline in sales prices), value could be reduced by an additional \$1.4 million. It should be kept in mind that these numbers are only an "order of magnitude" estimate and that actual value reductions will likely vary, perhaps substantially, from these estimates.

Top Ten Assesseees

The Top Ten Assesseees in the Project Area is summarized on Table 1. The taxable value for the Top Ten Assesseees represents 46.98 percent of the total value of the Project Area and 57.71 percent of the incremental value.

Historical Taxable Values and Tax Increment Revenues

Table 2 shows the historical taxable values of the Project Area over the past five years. Taxable values have increased from \$604.9 million in 2005-06 to \$744.5 million in 2009-10. The total percentage change was 23.1 percent over the four year period. The average annual percentage change in values was 5.33 percent. Taxable values dropped in 2008-09 both because of the Proposition 8 reductions discussed above and also due the reassessment of a shopping center owned by Donahue Schriber Realty Group (the number 1 assessee). Donahue Schriber had acquired the shopping center in 2008, and the Assessor had originally enrolled a value of \$107.7 million. The owner appealed the assessment and provided additional information to the Assessor that caused the Assessor to reduce the value to \$66 million.

Table 3 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. Actual receipts of tax increment for the period 2004-05 through 2008-09 have averaged 99.45

percent of the levy. When supplemental property tax receipts are included, the Agency has averaged almost 105 percent of the levy during the same time period.

Taxable Values, Tax Increment Revenues and Tax Revenues

Table 4 provides information on the 2008-09 and 2009-10 taxable values and tax increment revenues of the Project Area. The value of property shown on Table 4 is based on actual values as provided by Placer County. Tax increment generated from the application of the 1 percent tax rate to incremental taxable value for 2008-09 was \$6.0 million and is estimated at \$6.1 million for 2009-10. To this amount, we have added unitary revenues of 9,729 for 2008-09 and \$13,430 for 2009-10. For 2008-09, we also included the actual amount of supplemental revenues received in the Project Area. Due to the difficulty of estimating supplemental revenues, we have not included any for 2009-10.

The tax increment revenues of the Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Bonds.

Adjustments to Tax Increment

There are two adjustments to the tax increment revenues shown on Table 4 for property tax administrative fees and Section 33676 allocations.

State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 4.

For project areas adopted prior to January 1994, taxing entities could elect to receive additional property taxes above the base year revenue amount. Such amounts are calculated by increasing the real property portion of base year values by an inflation factor of up to 2 percent annually. Taxing entities can receive a proportionate share of such revenues if they elected to do so prior to adoption of the redevelopment plan. The City of Roseville, the Roseville Cemetery District and Placer County are allocated such revenues.

Liens on Tax Increment

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. Table 4 shows the full housing set-aside deposit. This amount represents the Housing Tax Revenues. For 2008-09, Housing Tax Revenues were \$1,166,572 and are estimated at \$1,166,599 for 2009-10.

After payment of the above, Tax Revenues for 2008-09 were \$4,562,504. Tax Revenues for 2009-10 are estimated at \$4,561,000.

Tax Revenues and Coverage

Table 4 also provides information on Tax Revenues and coverage based on Annual Debt Service for the Bonds. As shown on Table 4, Tax Revenues provided 249 percent coverage in 2008-09. For 2009-10, Tax Revenues are projected to provide coverage at 250 percent of Annual Debt Service. Housing Tax Revenues provided 262 percent coverage for 2008-09 and are projected to provide coverage at 261 percent for 2009-10.

Annual Plan Limit

As required in the Supplemental Indenture and the Indenture for the Housing Bonds, the Agency is providing the Annual Plan Limit Calculation. The Annual Plan Limit Calculation is meant to show whether the aggregate amount of principal and interest that is due on all Bonds, plus the Agency's Subordinate Debt, exceeds the amount of Tax Revenues and Housing Tax Revenues permitted under the Plan Limit. As shown on Table 5, total Agency debt payable from Tax Revenues represents 39 percent of Tax Revenues remaining under the Plan Limit. The debt payable from Housing Tax Revenues represents 17 percent of such revenues remaining under the Plan Limit.

Table 1
Roseville Redevelopment Agency
Roseville Project Area

**TEN MAJOR PROPERTY TAX ASSESSEES
2009-10 COUNTY REPORTED VALUES**

Assessee	Type of Use	2009-10		Total Value	%of Total Value (2)	%of Inc Value (2)
		Secured	Unsecured			
1) Donahue Schriber Realty Group LP Et Al	Shopping Center	\$67,272,752	\$0	\$67,272,752	9.04%	11.10%
2) Rreef America REIT II Corporation (3)	Office	58,260,318	0	58,260,318	7.83%	9.61%
3) Kobra (3)	Apartment	51,964,911	0	51,964,911	6.98%	8.57%
4) W2005 Fargo Hotels Pool C Realty LP (3)	Hotels	41,597,887	0	41,597,887	5.59%	6.86%
5) Evergreen	Shopping Center	40,733,120	0	40,733,120	5.47%	6.72%
6) John L. Sullivan	Auto Dealer	25,474,248	0	25,474,248	3.42%	4.20%
7) Ken Inc. (4)	Commercial	21,224,159	0	21,224,159	2.85%	3.50%
8) Home Depot USA Inc (3)	Retail	15,212,643	0	15,212,643	2.04%	2.51%
9) Roseville Motor Corporation (3)	Auto Dealer	13,414,577	861,030	14,275,607	1.92%	2.36%
10) ABT Properties Creekside LLC	Office	13,733,280	0	13,733,280	1.84%	2.27%
Total Valuation		348,887,895	861,030	349,748,925	46.98%	57.71%

(1) Based on ownership of locally-assessed secured and unsecured property.

(2) Based on updates for 2009-10 Project Area taxable value of \$744,477,589 and incremental value of \$606,054,371.

(3) Each owner has an outstanding appeal as shown in the Annual Report.

(4) This owner received a reduction to value to \$16 million, which will be reflected on the 2010-11 tax roll.

Source: Records of Placer County

Table 2
 Roseville Redevelopment Agency
 Roseville Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2009-10	\$684,382,093	\$56,060,943	\$4,034,553	\$744,477,589	1%	\$606,054,371
2008-09	678,540,154	59,780,175	2,115,069	740,435,398	-2%	602,012,180
2007-08	697,738,010	57,190,309	2,115,069	757,043,388	10%	618,620,170
2006-07	627,381,473	53,498,214	8,966,398	689,846,085	14%	550,421,529
2005-06	546,418,879	48,038,555	10,448,206	604,905,640	10%	465,481,084
Total Percentage Change					23.07%	
Average Percentage Change					5.33%	

(1) Taxable Value above base year value of \$139,424,556 through 2006-07. In 2007-08, the base year value was reduced to \$138,423,218 to reflect the implementation of AB 2672, which remove railroad unitary value from locally reported values.

Source: Placer County Auditor-Controller Office

Table 3
 Roseville Redevelopment Agency
 Roseville Redevelopment Project Area

HISTORICAL RECEIPTS (1)

	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2008-09	\$5,794,200	\$5,777,959	99.72%	\$54,901	\$5,832,860	100.67%
2007-08	5,984,405	5,953,318	99.48%	404,900	6,358,219	106.25%
2006-07	5,307,544	5,296,017	99.78%	338,570	5,634,587	106.16%
2005-06	4,482,324	4,450,656	99.29%	273,898	4,724,554	105.40%
2004-05	3,935,978	3,885,170	98.71%	355,347	4,240,517	107.74%
Average Receipts to Levy			99.45%			105.04%

(1) Receipts per Agency records prior to reduction for property tax admin. fees.

(2) Intial levy reported by Placer County.

Table 4
 Roseville Redevelopment Agency
 Roseville Project Area

TAX INCREMENT REVENUE AND COVERAGE (1)

	Actual 2008-09	Estimate 2009-10
Total Value	740,435,398	744,477,589
Base Year Taxable Value	138,423,218	138,423,218
Incremental Taxable Value	602,012,180	606,054,371
Tax Increment	5,994,151	6,060,544
Unitary Tax Increment	9,729	13,430
Supplemental Revenues	54,901	0
Total Tax Increment Revenue	6,058,781	6,073,974
<i>Adjustments to Tax Increment Revenue:</i>		
Property Tax Administration Fees (2)	103,784	105,169
Section 33676 Allocations (3)	225,921	240,981
<i>Liens on Tax Increment</i>		
Housing Set-Aside (4)	1,166,572	1,166,599
Tax Revenues	4,562,504	4,561,226
Non Housing - Bond Debt Service (5)	1,828,710	1,826,481
Coverage	249%	250%
Housing Bond Debt Service (5)	445,412	446,695
Coverage	262%	261%

- (1) Based on taxable values per Placer County Auditor-Controller.
- (2) Estimate based on 1.56 percent of tax increment.
- (3) Additional allocations to various taxing entities pursuant to former Section 33676 of the CRL.
- (4) Based on 20 percent of total tax increment revenue net of Section 33676 allocations.
- (5) Per Official Statement, reflects Annual Debt Service on 2002 and 2006 Bonds.

Table 5
 Roseville Redevelopment Agency
 Roseville Redevelopment Project Area

ANNUAL PLAN LIMIT CALCULATION

	Total Limit	Tax Revenues	Housing Tax Revenues
REMAINING REVENUES UNDER THE LIMIT			
Total Tax Increment Limit	450,000,000		
Amount Received Through 08-09	41,780,137		
Remaining Tax Increment Limit	408,219,863		
Remaining Revenues Under Limit		326,575,891	81,643,973
AGENCY DEBT OBLIGATIONS			
Bond Debt Service			
2002 Bonds		21,445,430	
2006 Bonds		35,220,075	13,880,040
City Loans (Subordinate)		8,613,676	
Other Obligations (Subordinate)		26,365,616	141,733
Property Tax Admin Fees		1,586,797	
Tax Sharing Payments (Subordinate)		33,896,779	
Grand Total - Debt Obligations		127,128,373	14,021,773
Remaining TI Limit as Percent		39%	17%

APPENDIX

AUDITED FINANCIAL STATEMENTS