

NEW ISSUE – BOOK-ENTRYRATINGS

INSURED BONDS RATING: S&P: _____

UNDERLYING RATING: S&P: _____

(See “CONCLUDING INFORMATION - Ratings on the 2025 Bonds” herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the 2025 Bonds and requirements of the Internal Revenue Code of 1986, as described herein, interest on the 2025 Bonds is not included in the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, interest on the 2025 Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel is also of the opinion that, under existing law, interest on the 2025 Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

\$83,000,000*

TAX ALLOCATION REFUNDING BONDS 2025 SERIES A

Dated: Date of Delivery**Due: September 1 as shown on the inside cover pages**

Proceeds from the sale of the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”) Tax Allocation Refunding Bonds, 2025 Series A (the “2025 Bonds”) will be used to refinance certain outstanding obligations of the Successor Agency.

The 2025 Bonds will be issued under an Indenture of Trust dated as of February 1, 2025 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”). The 2025 Bonds are special obligations of the Successor Agency and are payable solely from and secured by a pledge of certain tax increment revenues of the former County of Santa Cruz Redevelopment Agency (the “Former Agency”) Live Oak/Soquel Community Improvement Project Area on a parity with certain obligations of the Successor Agency and certain obligations of the Former Agency to remain outstanding and a pledge of amounts in certain funds and accounts established under the Indenture (see “SECURITY FOR THE 2025 BONDS” and “RISK FACTORS”).

Interest on the 2025 Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2026, until maturity (see “THE 2025 BONDS - General Provisions” herein). The 2025 Bonds are not subject to redemption prior to maturity.

The 2025 Bonds do not constitute a debt or liability of the County of Santa Cruz, the State of California or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025 Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County of Santa Cruz, the State of California or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025 Bonds. The Successor Agency has no taxing power.

The scheduled payment of principal of and interest on the 2025 Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2025 Bonds by _____. See “MUNICIPAL BOND INSURANCE” and “APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

The cover page contains certain information for quick reference only. It is not a summary of the issues. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered in evaluating the investment quality of the 2025 Bonds.

The 2025 Bonds are being offered when, as and if issued, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California. Certain legal matters will also be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, and by the Santa Cruz County Counsel, as Successor Agency Counsel. It is anticipated that the 2025 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about June __, 2025 (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein).

The date of the Official Statement is _____.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful under the securities laws of such jurisdiction.

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY**

\$83,000,000*
TAX ALLOCATION REFUNDING BONDS
2025 SERIES A

MATURITY SCHEDULE

Maturity Date	Principal	Interest			CUSIP®†
<u>September 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>(69667A)</u>
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					

* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. Copyright (c) 2025 CUSIP Global Services. All rights reserved. CUSIP numbers have been assigned by an independent company not affiliated with the Successor Agency or the Municipal Advisor and are included solely for the convenience of the holders of the 2025 Bonds. None of the Successor Agency, the Municipal Advisor, or their agents or counsel is responsible for the selection or use of these CUSIP numbers, and no representation is made as to their correctness on the 2025 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the 2025 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2025 Bonds.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Investment in the 2025 Bonds involves risks which are not appropriate for certain investors. Therefore, only persons with substantial financial resources (in net worth or income) who understand (either alone or with competent investment advice) those risks should consider such an investment.

Except where otherwise indicated, all information contained in this Official Statement has been provided and deemed final by the Successor Agency. No dealer, broker, salesperson or other person has been authorized by the Successor Agency or the Municipal Advisor to give any information or to make any representations in connection with the offer or sale of the 2025 Bonds other than those contained herein; and, if given or made, such other information or representations must not be relied upon as having been authorized by the Successor Agency or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2025 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein which has been obtained from third party sources is believed to be reliable but is not guaranteed as to accuracy or completeness by the Successor Agency. This Official Statement is not to be construed as a contract with the purchasers or Owners of the 2025 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith. While the County of Santa Cruz maintains an internet website and certain social media accounts for various purposes, none of the information on that website or those accounts is incorporated by reference herein or intended to assist investors in making any investment decision or to provide any continuing information with respect to the 2025 Bonds or any other bonds or obligations of the Successor Agency. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Successor Agency does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The Successor Agency is obligated to provide continuing disclosure for certain historical information only. See the caption “CONCLUDING INFORMATION - Continuing Disclosure” herein.

IN CONNECTION WITH THE OFFERING OF THE 2025 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2025 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2025 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2025 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY**

SANTA CRUZ COUNTY, CALIFORNIA

BOARD OF SUPERVISORS AND SUCCESSOR AGENCY GOVERNING BOARD

Manu Koenig, *Supervisor, 1st District*
Kimberly De Serpa, *Supervisor, 2nd District*
Justin Cummings, *Supervisor, 3rd District*
Felipe Hernandez, *Supervisor, 4th District*
Monica Martinez, *Supervisor, 5th District*

COUNTY KEY ADMINISTRATIVE PERSONNEL AND ELECTED OFFICIALS

Carlos Palacios, *County Administrative Officer*
Edith Driscoll, *Auditor-Controller-Treasurer-Tax Collector*
Sheri Thomas, *Assessor-Recorder*
Jason M. Heath, *County Counsel*
Elissa Benson, *Assistant County Administrative Officer*
Nicole Coburn, *Assistant County Administrative Officer*
Melodye Serino, *Deputy County Administrative Officer*
Matt Machado, *Deputy County Administrative Officer/Director
of Community Development and Infrastructure*

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Los Angeles, California

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Newport Beach, California

Municipal Advisor

Harrell & Company Advisors, LLC
Tustin, California

Trustee and Escrow Bank

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

Verification Agent

Robert Thomas CPA, LLC
Overland Park, Kansas

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OFFICIAL STATEMENT
SANTA CRUZ COUNTY
REDEVELOPMENT SUCCESSOR AGENCY
\$83,000,000*
TAX ALLOCATION REFUNDING BONDS
2025 SERIES A

This Official Statement, which includes the cover page, inside cover pages and appendices (the “Official Statement”), is provided to furnish certain information concerning the sale of the Santa Cruz County Redevelopment Successor Agency Tax Allocation Refunding Bonds, 2025 Series A (“2025 Bonds”).

INTRODUCTION

This Introduction contains only a brief description of this issue and does not purport to be complete. The Introduction is subject in all respects to more complete information in the entire Official Statement and the offering of the 2025 Bonds to potential investors is made only by means of the entire Official Statement and the documents summarized herein. Potential investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision (see “RISK FACTORS” herein). For definitions of certain capitalized terms used herein and not otherwise defined, and the terms relating to the 2025 Bonds, see the summary included in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein.

The Successor Agency and the Former Agency

The Santa Cruz County Redevelopment Agency (the “Former Agency”) was established in 1986 by the Board of Supervisors (the “Board”) of the County of Santa Cruz (the “County”) pursuant to the Community Redevelopment Law (the “Redevelopment Law”), constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the “State”). On June 29, 2011, Assembly Bill No. 26 (“AB X1 26”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“AB X1 27”). A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“AB 1484”), enacted as Chapter 26, Statutes of 2012, and as further amended on September 22, 2015 by Senate Bill No. 107 (“SB 107”) enacted as Chapter 325, Statutes of 2015. The provisions of Part 1.85 as amended by AB 1484 and SB 107 are referred to in this Official Statement as the “Dissolution Act.” The Redevelopment Law, as amended by the Dissolution Act, is sometimes referred to herein as the “Law.”

* Preliminary, subject to change.

Pursuant to Section 34173 of the Dissolution Act, the Board serves as the governing board of the successor agency to the Former Agency. Since the February 1, 2012 dissolution of the Former Agency, the Board has served as the governing board of the Santa Cruz County Redevelopment Successor Agency (the “Successor Agency”). The Successor Agency is governed by the members of the Board. The County Administrative Officer acts as the Successor Agency’s Administrative Officer (see “THE SUCCESSOR AGENCY” herein).

Section 34173(g) of the Dissolution Act expressly affirms that the Successor Agency is a separate public entity from the County, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the County nor will the assets of the Former Agency become assets of the County (see “THE SUCCESSOR AGENCY” herein).

The County

The County was incorporated in 1850. It has a general law form of government. It is located on the coast of California, between the San Francisco Bay Area and the Monterey Bay Peninsula, 73 miles south of San Francisco (see “APPENDIX B - COUNTY OF SANTA CRUZ INFORMATION STATEMENT” herein).

Authority and Purpose

The 2025 Bonds are being issued pursuant to the Constitution and laws of the State, including Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State (the “Refunding Law”), the Law and an Indenture of Trust dated as of February 1, 2025 (the “Indenture”), by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A, as trustee (the “Trustee”).

The 2025 Bonds are being issued to refund the Successor Agency’s outstanding Tax Allocation Refunding Bonds, 2015 Series A (the “2015A Bonds”) and outstanding Tax Allocation Refunding Bonds, 2016 Series A (the “2016 Bonds”). See “THE FINANCING PLAN” herein.

Tax Allocation Financing Under the Dissolution Act

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the Taxing Agencies, as defined herein, thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations.

Under the Dissolution Act, moneys will be deposited from time to time in a Redevelopment Property Tax Trust Fund (the “Redevelopment Property Tax Trust Fund” or “RPTTF”) held by a county auditor-controller with respect to a successor agency, which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects using current assessed values on the last equalized roll on August 20 each year. See “SECURITY FOR THE 2025 BONDS - Tax Allocation Financing” herein for additional information.

The Dissolution Act authorizes refunding bonds, including the 2025 Bonds, to be secured by a pledge of moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Pledged Tax Revenues, as defined herein, pledged to pay the 2025 Bonds consist of a portion of the amounts deposited

from time to time in the Redevelopment Property Tax Trust Fund established pursuant to and as provided in the Dissolution Act (see “Security for the 2025 Bonds” below).

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency’s Recognized Obligation Payment Schedules (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions” and “SECURITY FOR THE 2025 BONDS - Recognized Obligation Payment Schedules”).

The Redevelopment Project

The Redevelopment Plan (“Redevelopment Plan”) for the Live Oak/Soquel Community Improvement Project Area (the “Redevelopment Project”) was adopted in 1987. The Redevelopment Project is an area containing approximately 3,760 acres, and is comprised of all the unincorporated urbanized area of the Live Oak and Soquel planning areas in the County. The Redevelopment Project has approximately 3 miles of coastline and has primarily residential land uses with commercial development along the major circulation corridors. See “THE REDEVELOPMENT PROJECT” herein for additional information on the Redevelopment Project and “THE SUCCESSOR AGENCY” herein for additional information on the Redevelopment Plan.

Security for the 2025 Bonds

For the security of the Bonds, the Successor Agency grants a pledge of and lien on all of the Tax Revenues, on a parity with the pledge and lien which secures all of the Former Agency’s and the Successor Agency’s outstanding tax allocation bonds (the “Parity Bonds,” as described below).

“Tax Revenues,” as originally defined in the indentures for the Parity Bonds and as defined in the Indenture, consist of Tax Increment Revenues, as hereafter defined, together with reimbursements, subventions (but excluding payments to the Successor Agency with respect to the personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes and including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the 2025 Bonds, the Parity Bonds and any Additional Bonds (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase, improve or preserve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project; but excluding (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to Section 33334.3 of the Redevelopment Law, (ii) all amounts payable by the Successor Agency to affected taxing agencies pursuant to any existing Tax Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of debt service on the 2025 Bonds, the Parity Bonds or any Additional Bonds, (iii) the School District Election Amount, and (iv) the Statutory Tax Sharing Amounts.

As discussed under the heading “SECURITY FOR THE 2025 BONDS - Tax Revenues - Elimination of the 20% Housing Set-Aside,” the Dissolution Act eliminated the requirement under Section 33334.3 of the Redevelopment Law to deposit a portion of Tax Increment Revenues in the Low and Moderate Income Housing Fund. As a result, under the Dissolution Act, the amount of such Tax Increment Revenues excluded under clause (i) of the definition of Tax Revenues will be available for and pledged to the payment of debt service on the 2025 Bonds and Parity Bonds.

“Tax Increment Revenues” means those taxes deposited in the Redevelopment Property Tax Trust Fund with respect to the Redevelopment Project pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State law, and as provided in the Redevelopment Plan.

The County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code will be deducted from Tax Increment Revenues deposited in the Redevelopment Property Tax Trust Fund.

See “FINANCIAL INFORMATION - Property Taxation in California” and “Tax Sharing Agreements and Tax Sharing Statutes” herein for a definition and discussion of the Tax Sharing Agreements, the School District Election Amount and the Statutory Tax Sharing Amounts.

Taxes levied on the property within the Redevelopment Project on that portion of the taxable valuation over and above the taxable valuation of the base year property tax roll of the Redevelopment Project, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County’s Auditor-Controller-Treasurer-Tax Collector (the “County Auditor-Controller”) to the Successor Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Successor Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act (see “SECURITY FOR THE 2025 BONDS - Recognized Obligation Payment Schedules”). Moneys deposited by the County Auditor-Controller into the Successor Agency’s Redevelopment Obligation Retirement Fund will be transferred by the Successor Agency to the Special Fund, and then to the Trustee for deposit in the Debt Service Fund established under the Indenture and under the Parity Bonds Indentures, as defined below, and administered by the Trustee in accordance with the Indenture.

The Successor Agency may issue refunding bonds payable from Tax Revenues on a parity with the 2025 Bonds and the Parity Bonds (“Parity Debt”) in certain circumstances for refunding purposes. See “SECURITY FOR THE 2025 BONDS - No Additional Debt Other Than Refunding Bonds” herein.

The 2025 Bonds do not constitute a debt or liability of the County, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025 Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025 Bonds. The Successor Agency has no taxing power.

Parity Bonds

The Successor Agency has pledged to the repayment of the 2025 Bonds (and has secured the 2025 Bonds by a lien on) Tax Revenues on a parity basis with the pledge of such Tax Revenues pursuant to:

- an Indenture of Trust dated as of April 1, 2007 by and between the Former Agency and the Trustee (the “2007 Refunding Indenture”) relating to the Former Agency’s 2007 Taxable Housing Tax Allocation Refunding Bonds (the “2007 Refunding Bonds”);
- an Indenture of Trust dated as of March 1, 2015 by and between the Successor Agency and the Trustee (the “2015 Series B Indenture”) relating to the Successor Agency’s Taxable Tax Allocation Refunding Bonds, 2015 Series B (“2015 Series B Bonds”); and
- an Indenture of Trust dated as of April 1, 2017 by and between the Successor Agency and the Trustee (the “2017 Indenture”) relating to the Successor Agency’s Taxable Tax Allocation Refunding Bonds, 2017 Series A (“2017 Bonds”).

Collectively, the 2007 Refunding Bonds, the 2015 Series B Bonds and the 2017 Bonds are referred to herein as the “Parity Bonds” and the 2007 Refunding Indenture, the 2015 Series B Indenture and the 2017 Indenture are referred to herein as the “Parity Bonds Indentures.” The outstanding par amount and maturity dates for each series of the Parity Bonds can be found under the heading “FINANCIAL INFORMATION - Outstanding Indebtedness” herein.

Municipal Bond Insurance and Reserve Account Surety Policy

Concurrently with the issuance of the 2025 Bonds, _____ (the “Insurer”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the 2025 Bonds. See “MUNICIPAL BOND INSURANCE” herein. The Policy guarantees the scheduled payment of principal of and interest on the 2025 Bonds when due as set forth in the form of the Policy included as “APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

In order to further secure the payment of the principal of and interest on the 2025 Bonds, a Reserve Account has been established by the Indenture for the 2025 Bonds. The Reserve Account will be funded by the purchase of a Municipal Bond Debt Service Reserve Insurance Policy (the “2025 Reserve Policy”) issued by the “Insurer”) in an amount equal to the 2025 Reserve Requirement as defined in the Indenture. The 2025 Reserve Policy secures only the 2025 Bonds and does not secure the Parity Bonds. See “SECURITY FOR THE 2025 BONDS - Reserve Account - Reserve Policy.”

Legal Matters

All legal proceedings in connection with the issuance of the 2025 Bonds are subject to the approving opinion of Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel (“Bond Counsel”). Such opinion, and certain tax consequences incident to the ownership of the 2025 Bonds, including certain exceptions to the tax treatment of interest, are described more fully under the heading “TAX MATTERS” herein. Certain legal matters will be passed on for the Successor Agency by Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, as Disclosure Counsel, by the County Counsel, as General Counsel to the Successor Agency.

Offering of the 2025 Bonds

Authority for Issuance. The 2025 Bonds are to be issued and secured pursuant to the Indenture, as authorized by Resolution No. _____ of the Board acting in its capacity as the governing board of the Successor Agency adopted on ___, 2025, the Refunding Law and the Law. The Santa Cruz County Consolidated Oversight Board (the “Oversight Board”) approved the action taken by the Successor Agency to refinance the 2015 Bonds and 2016 Bonds on _____, 2025. The State Department of Finance (“DOF”) approved the Oversight Board action by letter dated _____, 2025.

Offering and Delivery of the 2025 Bonds. The 2025 Bonds are offered, when, as and if issued, subject to the approval as to their legality by Bond Counsel. It is anticipated that the 2025 Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about _____, 2025. See “APPENDIX G - THE BOOK-ENTRY SYSTEM.”

Summary Not Definitive

The summaries and references contained herein with respect to the Indenture, the 2025 Bonds and other statutes or documents do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute, and references to the 2025 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture. Copies of these documents may be obtained after delivery of the 2025 Bonds from the Successor Agency at the County Government Center, 701 Ocean Street, Santa Cruz, California 95060.

THE 2025 BONDS

General Provisions

The 2025 Bonds will be dated their date of original delivery, will be issued in fully registered form, in denominations of \$5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates as set forth on the inside cover page of this Official Statement.

Interest on the 2025 Bonds will be payable on each March 1 and September 1 (each an “Interest Payment Date”), commencing March 1, 2026, from the Interest Payment Date next preceding the date of authentication thereof, unless (a) a 2025 Bond is authenticated after the 15th calendar day of the month preceding an Interest Payment Date (each, a “Regular Record Date”) and on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2025 Bond is authenticated on or before February 15, 2026 in which event it shall bear interest from the date of delivery of the 2025 Bonds; provided, however, that if, as of the date of authentication of any 2025 Bond, interest with respect to such 2025 Bond is in default, such 2025 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such 2025 Bond.

Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of 2025 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date. [Interest on any 2025 Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the person in whose name the ownership of such 2025 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten days prior to such special record date.]

Payments of Principal and Interest; Book-Entry System. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 2025 Bonds. The 2025 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. Interest on and principal of the 2025 Bonds will be payable when due by wire of the Trustee to DTC which will in turn remit such interest and principal to participants in DTC’s book-entry only system, which will in turn remit such interest and principal to Beneficial Owners (as defined herein) of the 2025 Bonds (see “APPENDIX G - THE BOOK-ENTRY SYSTEM” herein). As long as DTC is the registered owner of the 2025 Bonds and DTC’s book-entry method is used for the 2025 Bonds, the Trustee will send any notices to Bond Owners only to DTC.

No Redemption Prior to Maturity

The 2025 Bonds are not subject to redemption prior to maturity.

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Scheduled Debt Service on the 2025 Bonds

The following is the scheduled semi-annual and annual Debt Service on the 2025 Bonds.

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
March 1, 2026				
September 1, 2026				
March 1, 2027				
September 1, 2027				
March 1, 2028				
September 1, 2028				
March 1, 2029				
September 1, 2029				
March 1, 2030				
September 1, 2030				
March 1, 2031				
September 1, 2031				
March 1, 2032				
September 1, 2032				
March 1, 2033				
September 1, 2033				
March 1, 2034				
September 1, 2034				
March 1, 2035				
September 1, 2035				
March 1, 2036				
September 1, 2036				
Total				

THE FINANCING PLAN

The Refunding Plan

On the Closing Date, a portion of the proceeds of the 2025 Bonds will be transferred to the Trustee as escrow agent (“Escrow Agent”) for deposit in an escrow fund pursuant to a 2015A Escrow Agreement, dated as of February 1, 2025 (the “2015A Escrow Agreement”) among the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as Escrow Bank (the “Escrow Bank”) and pursuant to a 2016 Escrow Agreement, dated as of February 1, 2025 (the “2016 Escrow Agreement”) among the Successor Agency and the Escrow Bank.

The amount deposited under the 2015A Escrow Agreement, together with other available moneys, will be invested in Federal Securities or held uninvested and irrevocably pledged for the payment of the redemption price of the outstanding 2015A Bonds on September 1, 2025 at a redemption price equal to 100% of the principal of the 2015A Bonds to be redeemed together with accrued interest with respect thereto to the date fixed for redemption, without premium.

The amount deposited under the 2016 Escrow Agreement, together with other available moneys, will be invested in Federal Securities or held uninvested and irrevocably pledged for the payment of the redemption

price of the outstanding 2016 Bonds on September 1, 2025 at a redemption price equal to 101% of the principal of the 2016 Bonds to be redeemed together with accrued interest with respect thereto to the date fixed for redemption, with a premium.

Amounts so deposited under the 2015A Escrow Agreement and 2016 Escrow Agreement will be pledged to the payment of the redemption price with respect to 2015A Bonds and 2016 Bonds, respectively, on the redemption date. Robert Thomas CPA, LLC (the “Verification Agent”) will verify from the information provided to them the mathematical accuracy as of the date of the closing on the 2025 Bonds of the computations contained in the provided schedules to determine that the amounts listed in the schedules prepared by the Municipal Advisor, to be held under the Escrow Agreements, will be sufficient to pay, when due, the redemption price of the 2015A Bonds and 2016 Bonds.

The lien of the 2015A Bonds and 2016 Bonds will be discharged, terminated and of no further force and effect upon the deposit with the Escrow Bank of the amounts required pursuant to the 2015A Escrow Agreement and 2016 Escrow Agreement, respectively. The funds deposited under the 2015A Escrow Agreement and 2016 Escrow Agreement will not be available to pay debt service on the 2025 Bonds.

Estimated Sources and Uses of Funds

Under the provisions of the Indenture, the Trustee will receive the proceeds from the sale of the 2025 Bonds and other available funds and will apply them as shown below.

Sources of Funds

Par Amount of 2025 Bonds

Net Original Issue Premium

Funds Held for the 2015A Bonds and 2016 Bonds

Total Source of Funds

Uses of Funds

Transfer to Escrow Bank

Underwriter’s Discount

Costs of Issuance Fund ⁽¹⁾

Total Use of Funds

⁽¹⁾ Costs of issuance include fees and expenses of Bond Counsel, the Municipal Advisor, Disclosure Counsel, Verification Agent, Trustee and Escrow Bank, costs of posting the Official Statement, rating fee, premium for the Policy and 2025 Reserve Policy and other costs of issuance of the 2025 Bonds.

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedules (see "SECURITY FOR THE 2025 BONDS - Recognized Obligation Payment Schedules").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2025 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Redevelopment Project each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "taxing agencies") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Redevelopment Project, if any, are to be divided as follows:

- (a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Redevelopment Project as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan (the "base year valuation"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and
- (b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the Redevelopment Plan, when collected will be paid into a special fund of the Successor Agency.

Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above. Pursuant to SB 107, effective September 22, 2015, debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects, and programs related to the State Water Project, that are not pledged to or needed for debt service on successor agency obligations are allocated and paid to the entity that levies the override and will not be deposited into the Redevelopment Property Tax Trust Fund.

That portion of the levied taxes described in paragraph (b) above and allocated to the Successor Agency constitute Tax Increment Revenues as that term is used herein.

SECURITY FOR THE 2025 BONDS

Tax Revenues

Tax Revenues pledged to the 2025 Bonds and the Parity Bonds are defined as Tax Increment Revenues, together with reimbursements, subventions (but excluding payments to the Successor Agency with respect to the personal property within the Redevelopment Project pursuant to Section 16110, et seq., of the Government Code of the State), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes and including that portion of such taxes otherwise required by Section 33334.3 of the Redevelopment Law to be deposited in the Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the 2025 Bonds, the Parity Bonds and any Additional Bonds (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to Section 33334.2 of the Redevelopment Law to increase, improve or preserve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project; but excluding (i) all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Successor Agency pursuant to Section 33334.3 of the Redevelopment Law, (ii) all amounts payable by the Successor Agency to affected Taxing Agencies pursuant to any existing Tax Sharing Agreements, unless the payment of such amounts has been subordinated to the payment of debt service on the 2025 Bonds, the Parity Bonds or any Additional Bonds; (iii) the School District Election Amount, and (iv) the Statutory Tax Sharing Amounts (as defined in “FINANCIAL INFORMATION - Tax Increment Revenues”).

By definition, under the Dissolution Act, Tax Revenues exclude County administrative costs allowed under Section 34182 of the Law and Section 95.3 of the California Revenue and Taxation Code.

Elimination of the 20% Housing Set-Aside. As described above, Tax Revenues pledged to the 2015A Bonds, 2016 Bonds and Parity Bonds included amounts previously required to be deposited in the Former Agency’s Low and Moderate Income Housing Fund (the “20% Housing Set-Aside”), to the extent that the 2015A Bonds, 2016 Bonds and the Parity Bonds, or portions thereof, were used to increase or improve the supply of low- and moderate-income housing within or of benefit to the Redevelopment Project (the “Housing Amount”). Prior to dissolution, the Former Agency used the Housing Amount to pay debt service on all or a portion of several series of the Former Agency’s bonds previously refinanced by the Successor Agency. The Dissolution Act has eliminated the 20% Housing Set-Aside requirement and none of the property tax revenues deposited in the Redevelopment Property Tax Trust Fund is designated as 20% Housing Set-Aside. After the Former Agency’s dissolution, all of the outstanding 2015A Bonds, 2016 Bonds and Parity Bonds have been paid from RPTTF disbursements without any allocation of the Housing Amount, and will continue to be paid from and secured by a lien on the former 20% Housing Set-Aside.

Redevelopment Property Tax Trust Fund

Deposits to the Redevelopment Property Tax Trust Fund. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

Disbursements from the Redevelopment Property Tax Trust Fund. The Redevelopment Law authorized redevelopment agencies to make payments to Taxing Agencies to alleviate any financial burden or detriments to such Taxing Agencies caused by a redevelopment project. The Former Agency entered into a number of agreements with the Taxing Agencies for this purpose (“Tax Sharing Agreements”). Additionally, Sections 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted on or after June 1, 1994 or amended after January 1, 1994 in

a manner specified in such section (the “Statutory Tax Sharing”). Because of amendments to the Redevelopment Plan adopted after January 1, 1994, the Successor Agency is obligated to make Statutory Tax Sharing payments. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes” herein).

Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments (as described below) for subordinations to the extent permitted under the Dissolution Act (if any, as described below under “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes”) and no later than each January 2 and June 1, to each local taxing agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service payments (and amounts required to replenish the related reserve funds, if any) scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;
- (iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and
- (iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity’s share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed under any Tax Sharing Agreements and Statutory Tax Sharing to the Taxing Agencies on each January 2 and June 1 before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Successor Agency’s Redevelopment Obligation Retirement Fund, unless: (i) pass-through payment obligations have been made subordinate to debt service payments for the bonded indebtedness of the Former Agency, as succeeded to by the Successor Agency; (ii) the Successor Agency has reported, no later than the December 1 and May 1 preceding the applicable January 2 or June 1 distribution date, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Successor Agency’s enforceable obligations, pass-through payments and the Successor Agency’s administrative cost allowance for the applicable Recognized Obligation Payment Schedule period; and (iii) the State Controller has concurred with the Successor Agency that there are insufficient funds for such purposes.

If the requirements set forth in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise calculated to be distributed on the applicable January 2 or June 1 property tax distribution date (as adjusted for weekends and holidays). To provide for calculated shortages to be paid to the Successor Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Successor Agency’s

enforceable obligations, pass-through payments and the Successor Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Successor Agency for administrative costs for the applicable Recognized Obligation Payment Schedule period in order to fund the enforceable obligations. Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed under subordinated Tax Sharing Agreements, in order to be paid to the Successor Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted.

The Dissolution Act provides for a procedure by which the Successor Agency may make the payment of Statutory Tax Sharing Amounts subordinate to the 2025 Bonds. The Successor Agency had not previously undertaken proceedings to subordinate such payments to the outstanding 2015 Bonds or 2016 Bonds, nor will it undertake such procedure with respect to the 2025 Bonds, and therefore, Statutory Tax Sharing Amounts are not subordinate to the 2025 Bonds. See "FINANCIAL INFORMATION" for additional information regarding the Statutory Tax Sharing Amounts applicable to the Successor Agency and the revenues derived from the Redevelopment Project. However, the County has agreed to continue the subordination of the amount payable pursuant to the County Resolution, described under the heading "FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes."

Recognized Obligation Payment Schedules

Enforceable Obligations. The Dissolution Act requires successor agencies to prepare and approve and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, "enforceable obligation" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund and from the county. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency"). The Successor Agency has covenanted to request such reserves as described below.

Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the Low and Moderate Income Housing Fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance, (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the former redevelopment agency, as approved by the oversight board). Other than amounts deposited in the Redevelopment Property Tax Trust Fund and amounts held in funds and accounts under the Indenture, the Successor Agency does not expect to have any other funds available to pay the 2025 Bonds.

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by the Successor Agency from the funds specified in the Recognized Obligation Payment Schedule.

Required Approvals. As provided in SB 107, the Recognized Obligation Payment Schedule, with respect to each Fiscal Year, and segregated into each six-month period beginning July 1 and January 1, must be submitted by the Successor Agency, after approval by the Oversight Board, to the County Auditor-Controller, the DOF, and the State Controller by each February 1. For information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2025 Bonds, see “RISK FACTORS - Recognized Obligation Payment Schedule.”

Successor agencies that have received a Finding of Completion and the concurrence of the DOF as to the items that qualify for payment, among other conditions, may at their option, file a “Last and Final” Recognized Obligation Payment Schedule. If approved by the DOF, the Last and Final Recognized Obligation Payment Schedule will be binding on all parties, and the Successor Agency will no longer submit a Recognized Obligation Payment Schedule to the DOF or the Oversight Board. The County Auditor-Controller will remit the authorized funds to the Successor Agency in accordance with the approved Last and Final Recognized Obligation Payment Schedule until each remaining enforceable obligation has been fully paid.

A Last and Final Recognized Obligation Payment Schedule may only be amended twice, and only with approval of the DOF and the County Auditor-Controller. The Successor Agency may submit a Last and Final Recognized Obligation Payment Schedule to the DOF but has covenanted in the Indenture to not do so without the consent of any bond insurer insuring the payment of principal and interest on the outstanding bonds issued by the Successor Agency.

Determination of Available Funding. In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed, and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the DOF no later than April 1 and October 1 of each year, as applicable.

If, after receiving such estimate from the County Auditor-Controller, the Successor Agency determines and reports, no later than December 1 or May 1, as applicable, that the total amount available to the Successor Agency from the Redevelopment Property Tax Trust Fund allocation to the Successor Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Former Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, the Successor Agency’s enforceable obligations listed on the Recognized Obligation Payment Schedule, and the Successor Agency’s administrative cost allowance, the County Auditor-Controller must notify the State Controller and the DOF no later than 10 days from the date of the Successor Agency’s notification. If the State Controller concurs that there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under “Redevelopment Property Tax Trust Fund” above.

Debt Service. In the Indenture, the Successor Agency covenants to comply with all of the requirements of the Dissolution Act, including taking all actions required under the Dissolution Act to prepare and file Recognized Obligation Payment Schedules for each Fiscal Year so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund all amounts as shall be required to enable the Successor Agency to pay timely principal of, and interest on, the 2025 Bonds, all Parity Bonds and any Parity Debt coming due in such Bond Year, including any amounts due and owing to the Bond Insurer in respect of the Reserve Policy, or required to replenish the Reserve Account, and the respective reserve accounts established for the Parity Bonds or any Parity Debt.

Pursuant to the Indenture, without limiting the generality of the foregoing covenant, the Successor Agency will take all actions required under the Dissolution Act to file a Recognized Obligation Payment Schedule by February 1 in each year, commencing February 1, 2026, in accordance with Section 34177(O) of the Redevelopment Law. For the semiannual period ending each June 30, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) 100% of the amount of interest on the 2025 Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding March 1 and September 1;
- (b) up to 100% of the amount of principal on the 2025 Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding September 1, limited only by the amount of the expected deposit to the Redevelopment Property Tax Trust Fund;
- (c) any amount then required to replenish the full amount of the Reserve Requirement in the Reserve Account and to replenish the amount in any reserve account established for all outstanding Parity Bonds or Parity Debt; and
- (d) any amount then required to make payments due to the Bond Insurer in respect of the Insurance Policy or the Reserve Policy or due to any other bond insurer.

For the semiannual period ending each December 31, the Recognized Obligation Payment Schedule which includes such period shall request the payment to the Successor Agency of an amount of Tax Revenues which is at least equal to the following:

- (a) the remaining principal due on the 2025 Bonds, the Parity Bonds and any Parity Debt coming due and payable on the next succeeding September 1, and not received or reserved in the period ending June 30; and
- (b) reserves and amounts due to any bond insurer as described under (d) above.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period (or otherwise) to pay the principal of and interest on the 2025 Bonds. See “RISK FACTORS.”

Pledge of Tax Revenues

The 2025 Bonds shall be secured by a pledge of, security interest in and lien on all of the Tax Revenues on a parity with the Parity Bonds and any Parity Debt and all of the moneys in the Special Fund of the Redevelopment Obligation Retirement Fund established and held by the Successor Agency pursuant to the Dissolution Act on a parity with the Parity Bonds and any Parity Debt. In addition, the 2025 Bonds shall be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account held under the Indenture without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery.

The Tax Revenues are pledged to the payment of principal of and interest on the 2025 Bonds pursuant to the Indenture until the 2025 Bonds have been paid, or until moneys have been set-aside irrevocably for that purpose. The Trustee will covenant to exercise such rights and remedies as may be necessary to enforce the payment of the Tax Revenues when due under the Indenture, and otherwise to protect the interests of the Bondholders in the event of default by the Successor Agency.

The 2025 Bonds are special obligations of the Successor Agency. The 2025 Bonds do not constitute a debt or liability of the County, the State or of any political subdivision thereof, other than the Successor Agency. The Successor Agency shall only be obligated to pay the principal of the 2025 Bonds, or the interest thereon, from the funds described herein, and neither the faith and credit nor the taxing power of the County, the State or any of its political subdivisions is pledged to the payment of the principal of or the interest on the 2025 Bonds. The Successor Agency has no taxing power.

The State Legislature has amended the Dissolution Act several times. The Successor Agency expects, but cannot guarantee, that the processes for funding of enforceable obligations prescribed by any new legislative change in the Dissolution Act will not interfere with its administering of the Tax Revenues in accordance with the Indenture and will effectively result in adequate Tax Revenues for the timely payment of principal of and interest on the 2025 Bonds when due.

Redevelopment Obligation Retirement Fund; Special Fund; Deposit of Tax Revenues

The Successor Agency has established a Redevelopment Obligation Retirement Fund in accordance with the Dissolution Act. The Former Agency established a “Special Fund” for deposit of Tax Revenues when received, and the Special Fund is continued under the Indenture within the Redevelopment Obligation Retirement Fund. The Successor Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Successor Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account of the Debt Service Fund (as described below) in such Bond Year pursuant to the Indenture and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture.

If the amount of Tax Revenues available in such Bond Year is insufficient to deposit the full amount required to be deposited in the Special Fund pursuant to the paragraph above, then the Successor Agency shall transfer such Tax Revenues to the Trustee for deposit into the Interest Account, the Principal Account and the Reserve Account for the 2025 Bonds in such Bond Year and for deposit in such Bond Year in the funds and accounts established with respect to Parity Bonds, as provided in the Parity Bonds Indentures, or with respect to Parity Debt, as provided in any Supplemental Indenture, ratably based on the full amounts required to be deposited without preference or priority for series as further described in “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Events of Default and Remedies.”

All Tax Revenues received by the Successor Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year shall be released from the pledge and lien of the Indenture and Parity Bonds Indenture for the security of the 2025 Bonds and Parity Bonds and shall be deposited and applied by the Successor Agency for any lawful purposes of the Successor Agency. However, Tax Revenues shall not be released from the pledge and lien which secures the 2025 Bonds unless no amounts are then due and owing to the Bond Insurer in respect of the Insurance Policy or the Reserve Policy, as defined herein.

Reserve Account

The Trustee, in its capacity as trustee for the Parity Bonds, has previously established separate reserve accounts (the “Parity Reserve Accounts”) which are held by the Trustee in trust for the benefit of the owners of the Parity Bonds. Under the Indenture, a separate Reserve Account will secure the 2025 Bonds. The amount required to be maintained in the Reserve Account and all Reserve Accounts established for the Parity Bonds, the 2025 Bonds and any Parity Debt, as of any date of calculation, is generally an amount equal to the lesser of Maximum Annual Debt Service on such outstanding Parity Bonds, 2025 Bonds or

Parity Debt, 10% of the initial principal amount of the Parity Bonds, 2025 Bonds or Parity Debt, 125% of average annual debt service or the amount permitted by the Tax Code as determined individually for each series of the 2025 Bonds and Parity Bonds when issued (the “Reserve Requirement”). Subject to certain rights of the Trustee, in the event that the amount on deposit with the Trustee to pay principal and interest due on the Parity Bonds, 2025 Bonds and Parity Debt is less than the full amount required for such purpose on the date due, the Trustee will withdraw from the Reserve Account and all Parity Bonds Reserve Accounts on a proportionate basis, and transfer to the Interest Account and the Principal Account, as required, the difference between the amount required to be on deposit in any or all of those accounts and the amount available on such date.

Reserve Policy. The Indenture provides that in lieu of a cash deposit, the Successor Agency may satisfy all or a portion of the Reserve Requirement by means of a Qualified Reserve Account Credit Instrument (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” herein).

In lieu of cash funding the Reserve Requirement for the 2025 Bonds, the Successor Agency has determined to purchase the Reserve Policy to be issued by the Bond Insurer in an amount of \$ _____. For information regarding the Bond Insurer, see “MUNICIPAL BOND INSURANCE.” The Reserve Policy secures only the 2025 Bonds and does not secure the Parity Bonds.

With respect to the Reserve Requirement attributable to each series of Parity Bonds, the Former Agency or the Successor Agency has previously deposited Qualified Reserve Account Credit Instruments (the “Reserve Surety Bonds”) in each of the reserve accounts established for such Parity Bonds as follows:

<u>Parity Bond Issue</u>	<u>Face Amount</u>	<u>Provider</u>	<u>Maturity</u>
2007 Refunding Bonds	1,075,500.00	National Public Financial Guarantee Corp.	9/1/2030
2015 Series B Bonds	1,899,193.40	Assured Guaranty Inc.	9/1/2035
2017 Bonds	<u>3,198,875.88</u>	Assured Guaranty Inc.	9/1/2036
Total	\$6,173,569.28		

Reserve Account Withdrawals. In the event the Tax Revenues received by the Successor Agency in any year are insufficient to pay the principal of and interest on the outstanding Bonds and Parity Bonds coming due in such year, the amount of the insufficiency will be applied on a pro rata basis among all of the outstanding series of 2025 Bonds and Parity Bonds, which will result in a withdrawal of funds from each reserve account established for the 2025 Bonds and the respective series of Parity Bonds. If there is a draw on the Reserve Policy or on a Reserve Surety Bond to meet a debt service deficiency and if the provider of the Reserve Policy or such Reserve Surety Bond fails to perform under the respective Reserve Surety Bond, any pro rata shortfall may be paid from the remaining funds on deposit in the Reserve Account. However, the Reserve Surety Bond for any series of Parity Bonds is not available to pay debt service on any other series of bonds, including the 2025 Bonds and the Reserve Policy is only available to pay debt service on the 2025 Bonds.

Reserve Account Replenishment. If there is a draw on the Reserve Policy or on a Reserve Surety Bond to meet a debt service deficiency and if the provider of the Reserve Policy or such Reserve Surety Bond fails to perform under the respective Reserve Surety Bond, for reasons of bankruptcy of the provider or otherwise, such failure to perform will cause there to be a deficiency in the reserve requirement previously satisfied by the Debt Service Reserve Insurance Policy or such Reserve Surety Bond, as the case may be. Under the Indenture and the Parity Bonds Indentures, in the event that the amount on deposit in a reserve account is less than the applicable reserve requirement, the Successor Agency is required to transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the amount in such reserve account at the applicable reserve requirement. Should the amount of Tax Revenues then available to maintain the reserve account at the applicable reserve requirement be insufficient for such purpose, such insufficiency

would not result in an event of default under the Indenture and the Parity Bonds Indentures, but the requirement of the Successor Agency to transfer available Tax Revenues to the Trustee would continue until satisfied.

In general, the Successor Agency would be required to request funding for replenishment of the reserve accounts for the 2025 Bonds and Parity Bonds by placing the requested amount on the next Recognized Obligation Payment Schedule as an enforceable obligation. Because of the time delay in filing a particular Recognized Obligation Payment Schedule and disbursement of funds to the Successor Agency on each January 2 and June 1, if funds are available, the timing of replenishment of any reserve account draw is likely to be delayed, even if there were potentially funds available in the Redevelopment Property Tax Trust Fund held by the County Auditor-Controller.

No Additional Debt Other Than Refunding Bonds

So long as the 2025 Bonds are Outstanding, the Successor Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only as provided in the Indenture and only for the purposes authorized in the Dissolution Act and in compliance with the requirements of the Dissolution Act (see “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Additional Bonds.”)

In addition to the 2025 Bonds, all series of the Parity Bonds and any Parity Debt, from time to time the Successor Agency may issue or incur Subordinate Debt in such principal amount as may be determined by the Successor Agency, provided that the Successor Agency is in compliance with all covenants set forth in the Indenture and the Parity Bonds Indentures, and the pledge of Tax Revenues to the payment of such subordinate obligations will not impair the ability of the Successor Agency to pay future annual Debt Service on the 2025 Bonds, the Parity Bonds, and any Parity Debt, but only for the purposes authorized in the Dissolution Act and in compliance with the requirements of the Dissolution Act.

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MUNICIPAL BOND INSURANCE

Bond Insurance Policy

(to be completed)

THE SUCCESSOR AGENCY

Government Organization

The Former Agency was established by the Board on May 1, 1986 pursuant to the Redevelopment Law. On June 29, 2011, AB X1 26 was enacted, together with a companion bill, AB X1 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB X1 26 and AB X1 27. In its December 29, 2011 decision, the California Supreme Court largely upheld AB X1 26, invalidated AB X1 27, and held that AB X1 26 may be severed from AB X1 27 and enforced independently. As a result of AB X1 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

Pursuant to Section 34173 of the Dissolution Act, the Board serves as the governing board of the successor agency to the Former Agency and thus, since the February 1, 2012 dissolution of the Former Agency, the Board has acted in such capacity. The Successor Agency is governed by the members of the Board. The County Administrative Officer acts as the Successor Agency's Administrative Officer

Section 34173(g) of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the County, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the County nor will the assets of the Former Agency become assets of the County.

The County performs certain general administrative functions for the Successor Agency. The County Administrative Officer serves as the Successor Agency's Administrative Officer, the Clerk of the Board serves as the Successor Agency Clerk of the Board and the County Auditor-Controller-Treasurer- Tax Collector serves as the Successor Agency Treasurer. The costs of such functions, as well as additional services performed by County staff are allocated annually to the Successor Agency, within certain limitations established by the Dissolution Act. Such reimbursement is subordinate to any outstanding bonds, loans and other enforceable obligations of the Successor Agency.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members, who are the elected members of the Board. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the County and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Successor Agency and Oversight Board meetings open to the public in similar manner as Board meetings.

On April 26, 2013, the Successor Agency received its Finding of Completion from the DOF. Receipt of the Finding of Completion allowed the Successor Agency to do several things, among them, developing a plan for the disposition of any properties held by the Successor Agency and spending proceeds of bonds issued prior to December 31, 2010, all requiring approval of the Oversight Board.

After receiving the finding of completion, each successor agency was required to submit a Long Range Property Management Plan (a “Long Range Property Management Plan”) detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. The DOF approved the Successor Agency’s Long Range Property Management Plan on August 20, 2014. The Successor Agency currently has 3 remaining properties to be disposed of.

Redevelopment Plan

The Board approved and adopted the Redevelopment Plan for the Live Oak/Soquel Community Improvement Project Area on May 12, 1987, pursuant to Ordinance No. 3836. It was subsequently amended on March 22, 1994 to add limitations prescribed by Assembly Bill 1290, on May 25, 1999 to amend financial provisions in accordance with Assembly Bill 1342 and on January 14, 2003 to eliminate certain financial limitations pursuant to Senate Bill 211.

Amendments to certain plan limitations were allowed by AB 1290 so long as, among other things, agencies made payments to the Taxing Agencies pursuant to the Tax Sharing Statutes. See “FINANCIAL INFORMATION - Tax Sharing Agreements and Tax Sharing Statutes.” The Former Agency’s amendment to the Redevelopment Plan pursuant to SB 211 triggered required payments to the Taxing Agencies pursuant to the Tax Sharing Statutes commencing in Fiscal Year 2007-08. Such required payments (the Statutory Tax Sharing Amounts) are senior in right of payment to the 2025 Bonds and the Parity Bonds and are reflected in the projections of Tax Revenues herein. See “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage.”

Plan Limitations

In accordance with the Redevelopment Law, redevelopment plans were required to include certain limits on the financing of redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit to incur debt, a time limit on the receipt of Tax Increment Revenues and the repayment of debt, and a limit on the amount of bonded indebtedness outstanding at any time. SB 107 clarifies that the former tax increment limits in redevelopment plans no longer apply for purposes of paying approved enforceable obligations such as the 2025 Bonds and the Parity Bonds.

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THE REDEVELOPMENT PROJECT

Description of the Redevelopment Project

The Redevelopment Project is an area of approximately 3,760 acres, and encompasses over 14,200 parcels. The Redevelopment Project has approximately 3 miles of coastline. It is comprised of all of the unincorporated urbanized area of the Live Oak and Soquel planning areas in Santa Cruz County. The Redevelopment Project is situated between the cities of Santa Cruz and Capitola. It is primarily developed with residential uses with commercial development along Highway 1 and other major circulation corridors and in Soquel Village.

<u>Land Use</u>	<u>% of Zoning</u>	<u>Approximate Acres</u>
Residential	65%	2,445
Commercial/Industrial	12	450
Public and Special Use	<u>23</u>	<u>865</u>
	100%	3,760

As shown below, residential development comprises over 86% of total current assessed value of the Redevelopment Project.

<u>Land Use</u>	<u>% of Assessed Value</u>
Residential	86.1%
Commercial	7.0
Industrial	2.3
Other/Unsecured	<u>4.6</u>
	100.0%

The largest commercial developments in the Redevelopment Project include a shopping center with a Home Depot and Best Buy electronics store, and a Safeway grocery store.

Sutter Hospital's Maternity and Surgery Center and Dominican Hospital, a member of Dignity Health, are also located in the Redevelopment Project. Due to the location of Sutter Hospital, Palo Alto Medical Foundation, a Sutter Health affiliate, has a number of specialized medical offices near the hospital.

The Successor Agency owns approximately 8.3 acres of commercial property in Live Oak that will be sold as part of the dissolution process.

There are very few vacant sites in the Redevelopment Project and most of the remaining properties represent opportunity for infill development only, such as mixed use commercial/condo projects and smaller retail and office developments. The County's Housing Element was approved in 2023. The County identified 75 infill parcels, mostly in the Redevelopment Project, that would require rezoning to allow for higher density residential projects to meet the County's required Regional Housing Needs Allocation. Rezoning of 30 parcels occurred in November 2024, with the remaining 45 parcels expected to be rezoned in 2025.

Assessed Valuations and Tax Revenues

Historical assessed value and Tax Revenues are shown in the table below.

TABLE NO. 1
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
LIVE OAK/SOQUEL COMMUNITY IMPROVEMENT PROJECT AREA
HISTORICAL ASSESSED VALUATIONS AND TAX REVENUES

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Secured	\$6,653,130,705	\$6,903,332,815	\$7,292,959,193	\$7,652,888,917	\$8,014,384,591
Unsecured	<u>87,655,422</u>	<u>88,232,871</u>	<u>105,721,359</u>	<u>120,173,195</u>	<u>120,931,355</u>
Total	\$6,740,786,127	\$6,991,565,686	\$7,398,680,552	7,773,062,112	8,135,315,946
Less: Base year	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>	<u>(962,902,777)</u>
Incremental Increase	\$5,777,883,350	\$6,028,662,909	\$6,435,777,775	\$6,810,159,335	\$7,172,413,169
Change in Total Value	5.0%	3.7%	5.8%	5.1%	4.7%
Change in Incremental Value	5.9%	4.3%	6.8%	5.8%	5.3%
Incremental Value	\$5,777,883,350	\$6,028,662,909	\$6,435,777,775	\$6,810,159,335	\$7,172,413,169
Tax Rate	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>	<u>1.00%</u>
Tax Increment Revenues	\$ 57,778,834	\$ 60,286,629	\$ 64,357,778	\$ 68,101,593	\$ 71,724,132
Unitary Revenues	<u>111,556</u>	<u>152,979</u>	<u>167,543</u>	<u>211,776</u>	<u>212,000</u>
Total Tax Revenues ⁽²⁾	\$ 57,890,390	\$ 60,439,608	\$ 64,525,321	\$ 68,313,369	\$ 71,936,132
Available RPTTF ⁽³⁾	\$ 59,160,859	\$ 62,471,871	\$ 66,702,413	\$ 70,406,708	

- (1) See "FINANCIAL INFORMATION - Tax Increment Revenues - Proposition 8 Adjustments" herein for information relating to reduction of assessed values.
- (2) Based on the Equalized tax roll without regard to the RPTTF distribution dates; does not include supplemental taxes; before tax sharing and other deductions.
- (3) The County Auditor-Controller distributes 50% of the current year's annual tax increment plus supplemental taxes collected to the Successor Agency on January 2, 45% of the current year's annual tax increment plus supplemental taxes collected on June 1, and the remaining 5% of the current year's annual tax increment plus any supplemental taxes is distributed to the Successor Agency on the following January 2.

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Deposits to the Redevelopment Property Tax Trust Fund are shown below.

TABLE NO. 2
REDEVELOPMENT PROPERTY TAX TRUST FUND DEPOSITS

	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>
January RPTTF Deposit	\$32,072,991	\$32,861,822	\$34,716,600	\$37,564,545	\$39,901,639
June RPTTF Deposit	<u>24,602,762</u>	<u>26,299,037</u>	<u>27,755,271</u>	<u>29,137,868</u>	<u>30,505,069</u>
Gross RPTTF Deposits	56,675,753	59,160,859	62,471,871	66,702,413	70,406,708
County Administrative Fees	(387,847)	(476,297)	(419,856)	(432,626)	(433,342)
Tax Sharing Agreements ⁽¹⁾	(19,631,182)	(20,795,281)	(22,109,042)	(23,540,297)	(24,436,980)
Statutory Tax Sharing	<u>(4,580,298)</u>	<u>(5,502,915)</u>	<u>(6,157,677)</u>	<u>(7,245,887)</u>	<u>(8,066,790)</u>
RPTTF Available	\$32,076,426	\$32,386,366	\$33,785,296	\$35,483,603	\$37,469,596
Subordinate County Tax Sharing ⁽²⁾	<u>1,891,637</u>	<u>1,978,277</u>	<u>2,095,041</u>	<u>2,193,669</u>	<u>2,189,829</u>
Tax Revenues	\$33,968,063	\$34,364,643	\$35,880,337	\$37,677,272	\$39,659,425

⁽¹⁾ Includes Section 33676 Inflationary Tax Sharing.

⁽²⁾ County's share of Section 33676 Inflationary Tax Sharing that has been subordinated to the 2025 Bonds and Parity Bonds.

Source: Santa Cruz County Auditor-Controller.

Major Taxpayers

The ten largest property taxpayers represent 2.30% of the 2024-25 assessed value of the Redevelopment Project.

TABLE NO. 3
TEN LARGEST TAXPAYERS AS A PERCENT OF 2024-25 ASSESSED VALUE

<u>Taxpayer</u>	<u>2024-25</u> <u>Total</u> <u>Assessed</u> <u>Value</u>	<u>% of</u> <u>Total</u> <u>Assessed</u> <u>Value</u>
Home Depot USA	\$ 25,512,698	0.31%
Sutter Bay Medical Foundation	25,345,103	0.31
Safeway, Inc.	24,765,859	0.30
TKG-StorageMart Partners	21,220,519	0.26
Cappo Properties	16,837,453	0.21
RTP Commercial Way LLC	16,740,504	0.21
Antonelli HOA	15,645,618	0.19
Cliffwood Estates Inc.	13,721,807	0.17
Sher-E-Punjab Inc.	13,542,901	0.17
LN Real Estate LLC	<u>13,461,781</u>	<u>0.17</u>
Total	\$186,794,243	2.30%

Source: Successor Agency.

Assessment Appeals

As of December 2024, the Clerk of the Board reported the following appeals filed and appeals pending County-wide:

<u>Tax Roll</u>	<u>Appeals Filed</u>	<u>Appeals Pending</u>
2023-24		
2022-23		
2021-22		
2020-21		
2019-20		

The Clerk of the Board also reported the following concerning appeals filed County-wide between 2019-20 and 2023-24:

Appeals filed	
Appeals granted	___%
Appeals withdrawn	___%
Appeals denied	___%

[Describe any appeals by largest taxpayers]

While the Successor Agency expects some decline in total assessed valuation relating to pending or potential future appeals, no prediction can be made by the Successor Agency, the County Assessor or the Clerk of the Board as to the amount of the number of appeals that may be filed in the future, or the decline in total assessed valuation, if any for pending or future appeals. Reductions in revenue for refunds resulting from successful appeals or current or prior year appeals have not been incorporated into the projections. Further, the success rate of appeals, reductions granted and refunds may vary from historical averages.

Tax Collections

The County has adopted the “Teeter Plan” method of distributing property taxes to taxing agencies, including redevelopment agencies. Under this method, the Successor Agency receives 100% of its tax increment without regard to delinquencies.

Under the statute creating the Teeter Plan, the Board of Supervisors of the County could under certain circumstances terminate the Teeter Plan in its entirety or terminate the Teeter Plan as to the Successor Agency.

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FINANCIAL INFORMATION

Successor Agency Accounting Records and Financial Statements

The activities of the Successor Agency are reported as a fiduciary trust fund, which is in accordance with guidance issued by the DOF on September 19, 2012 and available on its website relating to redevelopment dissolution (www.dof.ca.gov/redevelopment) under the category of “Common RDA Dissolution Questions and Answers,” interpreting Section 34177(n) of the Law concerning certain successor agency postaudit obligations. The Successor Agency currently prepares separate financial statements but is not required to and may not do so in future years. The DOF’s website is not in any way incorporated into this Official Statement, and the Successor Agency cannot take any responsibility for, nor make any representation whatsoever as to, the continued accuracy of the Internet address or the accuracy, completeness, or timeliness of information posted there. In addition, from time to time, the DOF changes its guidance without notice.

The Successor Agency’s financial statements for the Fiscal Year ended June 30, 2024, attached hereto as “APPENDIX C” have been audited by Brown Armstrong Certified Public Accountants, Bakersfield, California. The Successor Agency’s audited financial statements are public documents and are included within this Official Statement without the prior approval of the auditor.

Property Taxation in California

Manner in Which Property Valuations and Assessments are Determined (Article XIII A). On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the State Constitution which imposes certain limitations on taxes that may be levied against real property. This amendment, which added Article XIII A to the State Constitution, among other things, defines full cash value of property to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” This full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by substantial damage, destruction or other factors. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value of that property, except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on any bonded indebtedness for the acquisition or improvement of real property which is approved after July 1, 1978 by two-thirds of the votes cast by voters voting on such indebtedness. However, pursuant to an amendment to the State Constitution, redevelopment agencies were prohibited from receiving any of the tax increment revenue attributable to tax rates levied to finance bonds approved by the voters on or after January 1, 1989 for the acquisition or improvement of real property. Moreover, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from such prohibitions and SB 107 further states that pre-1989 tax override rates are no longer distributed to successor agencies except in limited circumstances (see “SECURITY FOR THE 2025 BONDS - Tax Revenues,” “Property Tax Rate” below and “RISK FACTORS - Factors Which May Affect Tax Revenues - Reduction in Inflationary Rate”).

In the general election held November 4, 1986, voters in the State approved two measures, Propositions 58 and 60, which further amend the terms “purchase” and “change of ownership,” for purposes of determining full cash value of property under Article XIII A, to not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county (or in certain cases, another county), to transfer the old residence’s assessed value to the new residence.

On November 3, 2020, voters in the State approved Proposition 19 providing for intergenerational exclusions and base year value transfers. Proposition 19 allows:

- transfers of a family home or family farm between parents and their children without causing a change in ownership for property tax purposes;
- transfers of a family home or family farm between grandparents and their grandchildren under limited conditions without causing a change in ownership for property tax purposes;
- allows homeowners who are age 55 or older, or severely and permanently disabled of any age, to transfer the “taxable value” of their principal residence to a replacement property up to three times anywhere in the state; and
- victims of a wildfire or natural disaster to transfer the taxable value of their primary residence to a replacement residence anywhere in the state, if the original property was substantially damaged or destroyed from a wildfire or Governor declared disaster, with over half of the market or improvement value diminished, to be considered “substantially damaged.”

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide, and such methodology has been upheld by the California courts. The current number of parcels subject to Proposition 8 adjustments is a minor amount.

Unsecured and Secured Property. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property, arising pursuant to State law, has priority over all other liens on the secured property, regardless of the time of the creation of the other liens.

Property in the Project Area is assessed by the Santa Cruz County Assessor except for public utility property which is assessed by the State Board of Equalization.

The valuation of secured property is determined as of January 1 each year for taxes owed with respect to the succeeding Fiscal Year. The tax rate is equalized during the following September of each year, at which time the tax rate is determined. Secured and unsecured property is entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment in addition to a \$20 cost on the second installment. On July 1 of each fiscal year any property which is delinquent will become defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption, together with any other charges permitted by law. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Property taxes on the unsecured roll become delinquent, if unpaid on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1½% per month begins

to accrue on November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's Office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental Assessments. Legislation adopted in 1984 (Section 75, *et seq.* of the Revenue and Taxation Code of the State of California) provides for the supplemental assessment and taxation of property at its full cash value as of the date of a change of ownership or the date of completion of new construction (the "Supplemental Assessments"). To determine the amount of the Supplemental Assessment the County Auditor-Controller applies the current year's tax rate to the supplemental assessment roll and computes the amount of taxes that would be due for the full year. The taxes due are then adjusted by a proration factor to reflect the portion of the tax year remaining as determined by the date on which the change in ownership occurred or the new construction was completed. Supplemental Assessments become a lien against the real property on the date of the change of ownership or completion of new construction.

Unitary Property. Commencing in the 1988-89 Fiscal Year, the Revenue and Taxation Code of the State of California changed the method of allocating property tax revenues derived from state assessed utility properties. It provides for the distribution of state assessed values to tax rate areas by a county-wide mathematical formula rather than assignment of state assessed value according to the location of those values in individual tax rate areas.

Commencing with the 1988-89 Fiscal Year, each county has established one county-wide tax rate area. The assessed value of all unitary property in the county has been assigned to this tax rate area and one tax rate is levied against all such property ("Unitary Revenues").

The property tax revenue derived from the assessed value assigned to the county-wide tax rate area shall be allocated as follows: (1) each jurisdiction will be allocated up to 2% of the increase in Unitary Revenues on a pro rata basis county-wide; and (2) any decrease in Unitary Revenues or increases less than 2%, or any increase in Unitary Revenues above 2% will be allocated among jurisdictions in the same proportion of each jurisdiction's Unitary Revenues received in the prior year to the total Unitary Revenues county-wide.

Legislation adopted in 2006 (SB 1317, Chapter 872) provides that, commencing with Fiscal Year 2007-08, certain property related to new electrical facilities shall be allocated entirely to the county in which such property is located and property tax revenues derived from such property shall be allocated to such county and certain Taxing Agencies with such county.

Property Tax Rate. The difference between the \$1.00 general tax levy provided under Article XIII A tax rate and those actually levied (referred to as the "tax override rate") represents the tax levied by overlapping entities to pay debt service on bonded indebtedness approved by the voters.

Section 34183 of the Dissolution Act effectively eliminated the tax override rate from the calculation of tax increment revenues with respect to tax override rates authorized by voters for the purpose of repaying bonded indebtedness for the acquisition or improvement of real property. Future Tax Increment Revenues have been projected by applying a tax rate of \$1.00 per \$100 of taxable value general levy to incremental taxable values.

Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559

amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Year 2023-24, the County administrative fees charged to the Redevelopment Project including administration of the Redevelopment Property Tax Trust Fund were \$433,342. In total, the fees represent approximately 0.63% of gross tax increment revenues for Fiscal Year 2023-24, excluding supplemental taxes.

Tax Sharing Agreements and Tax Sharing Statutes

Tax Sharing Agreements

Pursuant to prior Section 33401(b) of the Redevelopment Law, a redevelopment agency was authorized to enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project to alleviate any financial burden or detriment caused by the redevelopment project. These agreements are commonly referred to as “tax sharing agreements” or “pass-through agreements.”

The Former Agency entered into tax sharing agreements (the “Tax Sharing Agreements”) with certain affected Taxing Agencies, which in total, provide for the payment of such Taxing Agencies’ share of the general tax levy (currently 23.75% of annual Tax Increment Revenues) to these Taxing Agencies. Payment of the amounts due under these Tax Sharing Agreements are senior in priority to the 2025 Bonds and Parity Bonds. The allocation to the individual Taxing Agencies is made in the following manner:

County of Santa Cruz Library Fund	2.90%
County Service Area 11	0.27
County Flood Control and Water Conservation District (Zone 4)	0.23
County Flood Control and Water Conservation District (Zone 5)	0.85
County Flood Control and Water Conservation District	0.19
County Fire Protection District (Capitola/Central)	<u>19.31</u>
	23.75%

In April 2009, the Former Agency amended the Tax Sharing Agreements to clarify that the Tax Increment Revenues upon which the percentages were to be applied include amounts payable under former Section 33676 of the Redevelopment Law.

Section 33676. Pursuant to former Section 33676 of the Redevelopment Law, any affected Taxing Agency that had not entered into a tax sharing agreement with the redevelopment agency prior to the adoption of a redevelopment plan could elect, by resolution, to receive the portion of Tax Increment Revenues attributed to one or both of the following:

- (a) Increases in the rate of tax imposed for the benefit of the Taxing Agency which levy occurred after the tax year in which the ordinance adopting the redevelopment plan became effective; and
- (b) If a redevelopment agency pursuant to Section 33354.5 amended a redevelopment plan which did not utilize tax increment financing to add tax increment financing, and pursuant to subdivision (a) of Section 33670 used the assessment roll last equalized prior to the effective date of the ordinance originally adopting the redevelopment plan, an affected Taxing Agency could elect to be allocated all or any portion of the tax revenues allocated to the redevelopment agency pursuant to subdivision (b) of Section 33670 which the affected Taxing Agency would receive if the redevelopment agency were to use the assessment roll last equalized prior to the effective date of the ordinance amending the redevelopment plan to add tax increment financing.

County Election. The County of Santa Cruz, by Resolution 330-87 (the “County Resolution,”) elected to receive Tax Increment Revenues attributable to both (a) and (b) above with respect to the County general fund share of Tax Increment Revenue. The County Resolution has been amended from time to time to subordinate any amounts due to the County by reason of the County Resolution to the pledge of Tax Increment Revenues under the Parity Bonds Indentures and the Indenture for the 2025 Bonds to the extent required for the payment thereof. While the Successor Agency does not anticipate that it will require any of the amounts payable to the County pursuant to the County Resolution, such amounts are, however, included in the pledge of the Tax Revenues to the repayment of the Parity Bonds and the 2025 Bonds. Tax Revenues pledged to the repayment of the 2025 Bonds and the Parity Bonds, with this exception as noted, do not include amounts payable pursuant to the Tax Sharing Agreements.

School District Election. Commencing in 1984, Section 33676 was amended to require every school district and community college district to also make such election by resolution; however, the governing bodies of the school districts and community college district within the boundaries of the Redevelopment Project did not take the actions required to comply with the provisions of Section 33676 at the time the Redevelopment Project was formed. In a similar circumstance, on March 27, 2000, in *Santa Ana Unified School District vs. Orange County Development Agency*, the Orange County Superior Court found that the election was deemed to be automatic even though the Santa Ana Unified School District had failed to timely adopt a resolution to make the election pursuant to Section 33676. On July 28, 2000, the Orange County Development Agency appealed such decision to the California Court of Appeal and the case was ultimately decided in favor of the Santa Ana Unified School District. In 2002-03, the Former Agency began paying that portion of Tax Increment Revenues calculated pursuant to the former Section 33676 to affected school districts in the Redevelopment Project, the Santa Cruz County Office of Education, and the Cabrillo College District (the “School District Election Amount”). The base year used for the purpose of the calculation of inflationary growth under 33670(b) is 2001-02. Combined, all districts are allocated 50.3% of such inflationary growth. Tax Revenues pledged to the repayment of the Bonds and the Parity Bonds do not include amounts payable to such districts.

Tax Sharing Statutes

Certain provisions were added to the Redevelopment Law by the adoption of AB 1290 in 1994. If new territory was added to a redevelopment project, under Section 33607.5 of the Redevelopment Law, any affected taxing entity would share in the Tax Increment Revenues generated by such added area pursuant to a statutory formula (“Statutory Tax Sharing Amounts”).

In addition, pursuant to Section 33333.6(e)(2) of the Redevelopment Law, if the Former Agency deleted the time limit to incur indebtedness in a redevelopment project (as amended pursuant to SB 211) or increased the total amount of Tax Increment Revenues to be allocated to the project area or increased the duration of the Redevelopment Plan and the period for receipt of Tax Increment Revenues, Statutory Tax Sharing is required under Section 33607.7 of the Redevelopment Law with all affected taxing entities not already a party to a tax sharing agreement, once the original limitations have been reached.

In general, the Statutory Tax Sharing Amounts are calculated as follows:

- (a) commencing in the first Fiscal Year after the limitation has been reached, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;
- (b) in addition to amounts payable as described in (a) above, commencing in the 11th Fiscal Year after the limitation has been reached, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the

preceding 10th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

- (c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31st Fiscal Year after the limitation has been reached, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding 30th Fiscal Year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

The County may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

The Successor Agency may subordinate the amount required to be paid to an affected Taxing Agency to any indebtedness after receiving the consent of the Taxing Agency.

Because the Former Agency eliminated the time limit to incur indebtedness with respect to the Redevelopment Project, statutory tax sharing is required under Section 33607.7 of the Redevelopment Law with all affected Taxing Agencies, and commenced in Fiscal Year 2007-08. The additional Statutory Tax Sharing Amounts described in (b) above began in 2017-18. The County has elected to receive its portion of the tax increment revenue as described in (d) above.

The Dissolution Act provides for a procedure by which the Successor Agency may make Statutory Tax Sharing amounts subordinate to the 2025 Bonds. The Former Agency and Successor Agency had not previously undertaken proceedings to subordinate such payments to the Parity Bonds, nor will the Successor Agency undertake such procedure with respect to the 2025 Bonds.

Since dissolution, the County Auditor-Controller calculates and pays the Tax Sharing Agreement amounts, the County Election Amount, the School District Election Amount and the Statutory Tax Sharing Amounts. With the exception of the County Election Amount, these amounts are payable from tax increment revenue deposited in the Redevelopment Property Tax Trust Fund senior to the 2025 Bonds and the Parity Bonds.

Outstanding Indebtedness

After refinancing the 2015A Bonds and 2016 Bonds, the Successor Agency will have the following outstanding bonded debt:

- \$6,595,000 par amount of the 2007 Bonds, maturing on September 1, 2030.
- \$15,085,000 par amount of the 2015B Bonds, maturing on September 1, 2035.
- \$23,375,000 par amount of the 2017 Bonds, maturing on September 1, 2036.

The Successor Agency has no other enforceable obligations payable from amounts deposited in the Redevelopment Obligation Retirement Fund except for administrative costs of staff, bond administration fees and costs relating to property management for properties still owned by the Successor Agency. These enforceable obligations are payable on a basis subordinate to the 2025 Bonds and the Parity Bonds.

Flow of Funds

Under the Indenture, in the Recognized Obligation Payment Schedule period beginning January 2 of each year, the Successor Agency is required to request funding of 100% of the principal and interest due on the 2025 Bonds and the Parity Bonds in the calendar year.

Projected Tax Revenues and Debt Service Coverage

Receipt of projected Tax Revenues shown in Table No. 4 in the amounts and at the times projected depends on the realization of certain assumptions relating to the Tax Increment Revenues. The Municipal Advisor has projected taxable valuation and Tax Revenues in the Redevelopment Project. The Successor Agency believes the assumptions set forth below upon which the projections are based are reasonable; however, some assumptions may not materialize and unanticipated events and circumstances may occur (see “RISK FACTORS”). Therefore, the actual Tax Revenues received during the forecast period may vary from the projections and the variations may be material, affecting the Successor Agency’s ability to timely pay principal of and interest on the 2025 Bonds.

Following is a discussion of assumptions used in the projection of Tax Revenues:

- (a) The 2024-25 secured roll was increased by 2% annually for inflation in future years.
- (b) The values of unsecured personal property have been maintained throughout the projections at the 2024-25 unsecured roll value.
- (c) The amount of unitary revenues have been maintained throughout the projections at their 2023-24 amount.
- (d) For the purposes of the projections, it was assumed that no additional assessed value would be added to the tax rolls as a result of new construction.
- (e) No potential future Proposition 8 adjustments or potential reductions in value as a result of pending assessment appeals are reflected in the projections.
- (f) A tax rate of \$1.00 per \$100 of assessed value applied to the taxable property in the Redevelopment Project was used to determine Tax Increment Revenues.
- (g) Projected Tax Revenues do not reflect supplemental property taxes.
- (h) Projected Tax Revenues include a deduction for administrative costs charged by Santa Cruz County.
- (i) Projected Tax Revenues include a deduction for payments due to taxing agencies under Tax Sharing Agreements, Section 33676 or applicable Tax Sharing Statutes.

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TABLE NO. 4
SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY
PROJECTED TAX REVENUES AND DEBT SERVICE COVERAGE

Bond Year	Gross Tax	Schools Election	County Election	County Admin	Tax Increment	Tax Sharing	Subordinate		Tax	Debt Service			
							County Election	Statutory Tax		Parity	2025		
<u>Sept 1</u>	<u>Increment</u>	<u>Amount</u>	<u>Amount</u>	<u>Charges</u>	<u>Allocated</u>	<u>Agreements</u>	<u>Adjustment</u>	<u>Sharing</u>	<u>Revenues</u>	<u>Bonds ⁽¹⁾</u>	<u>Bonds*</u>	<u>Total*</u>	<u>Coverage</u>
2025	\$71,936,000	\$(6,458,000)	\$(2,260,000)	\$(453,000)	462,765,000	\$(17,085,000)	\$2,260,000	\$ (9,723,000)	\$38,217,000	\$15,600,995	\$ -	\$15,600,995	245%
2026	73,539,000	(6,846,000)	(2,352,000)	(463,000)	63,878,000	(17,466,000)	2,352,000	(10,172,000)	38,592,000	5,713,362	9,069,000	14,782,362	261%
2027	75,174,000	(7,242,000)	(2,446,000)	(474,000)	65,012,000	(17,854,000)	2,446,000	(10,631,000)	38,973,000	5,706,169	9,015,000	14,721,169	265%
2028	76,842,000	(7,646,000)	(2,541,000)	(484,000)	66,171,000	(18,250,000)	2,541,000	(11,099,000)	39,363,000	4,594,872	10,447,000	15,041,872	262%
2029	78,543,000	(8,058,000)	(2,638,000)	(495,000)	67,352,000	(18,654,000)	2,638,000	(11,576,000)	39,760,000	4,591,566	10,399,000	14,990,566	265%
2030	80,278,000	(8,479,000)	(2,738,000)	(506,000)	68,555,000	(19,066,000)	2,738,000	(12,063,000)	40,164,000	4,591,763	10,402,000	14,993,763	268%
2031	82,047,000	(8,908,000)	(2,839,000)	(517,000)	69,783,000	(19,486,000)	2,839,000	(12,560,000)	40,576,000	4,420,138	10,872,000	15,292,138	265%
2032	83,852,000	(9,345,000)	(2,942,000)	(528,000)	71,037,000	(19,915,000)	2,942,000	(13,066,000)	40,998,000	4,420,325	10,875,000	15,295,325	268%
2033	85,694,000	(9,791,000)	(3,048,000)	(540,000)	72,315,000	(20,352,000)	3,048,000	(13,583,000)	41,428,000	4,424,888	10,882,000	15,306,888	271%
2034	87,572,000	(10,246,000)	(3,155,000)	(552,000)	73,619,000	(20,798,000)	3,155,000	(14,110,000)	41,866,000	4,418,938	10,877,000	15,295,938	274%
2035	89,487,000	(10,710,000)	(3,265,000)	(564,000)	74,948,000	(21,253,000)	3,265,000	(14,647,000)	42,313,000	4,416,775	10,880,000	15,296,775	277%
2036	91,441,000	(11,183,000)	(3,377,000)	(576,000)	76,305,000	(21,717,000)	3,377,000	(15,196,000)	42,769,000	4,238,000	7,424,000	11,662,000	367%

⁽¹⁾ Includes debt service on 2015A Bonds and 2016 Bonds for the Bond Year ending September 1, 2025.

Source: Municipal Advisor.

The projected Tax Revenues shown above are subject to several variables described herein. See “RISK FACTORS” herein. The Successor Agency provides no assurance that the projected Tax Revenues will be achieved.

* Preliminary, subject to change.

RISK FACTORS

The purchase of the 2025 Bonds involves investment risk. If a risk factor materializes to a sufficient degree, it could delay or prevent payment of principal of and/or interest on the 2025 Bonds. Such risk factors include, but are not limited to, the following matters and should be considered, along with other information in this Official Statement, by potential investors.

Factors Which May Affect Tax Revenues

The ability of the Successor Agency to pay principal of and interest on the 2025 Bonds depends on the timely receipt of Tax Revenues as projected herein (see “FINANCIAL INFORMATION - Projected Tax Revenues and Debt Service Coverage” herein). Projections of Tax Revenues are based on the underlying assumptions relating to Tax Increment Revenues of the Redevelopment Project. Tax Revenues allocated to the Successor Agency (which constitute the ultimate source of payment of principal of and interest on the 2025 Bonds, as discussed herein) are determined by the amount of incremental valuation of taxable property in the Redevelopment Project, taxed at a rate of \$1.00 per \$100 of assessed value (1%) and the percentage of taxes collected in the Redevelopment Project, adjusted to reflect prior claims on the Tax Increment Revenues. A number of factors which may affect Tax Increment Revenues, and consequently, Tax Revenues, are outlined below.

Reductions in Assessed Value. Tax Increment Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Redevelopment Project taxed at a rate of \$1.00 per \$100 of assessed value (1%). The reduction of taxable values of property in the Redevelopment Project caused by economic factors beyond the Successor Agency’s control, such as relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the 2025 Bonds. Such reduction of Tax Revenues could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the 2025 Bonds.

Article XIII A. Pursuant to the California voter initiative process, on June 6, 1978, California voters approved Proposition 13 which added Article XIII A to the California Constitution. This amendment imposed certain limitations on taxes that may be levied against real property to 1% of the full cash value of the property, adjusted annually for inflation at a rate not exceeding 2% annually. Full cash value is determined as of the 1975-76 assessment year, upon change in ownership (acquisition) or when newly constructed (see “FINANCIAL INFORMATION - Property Taxation in California” herein for a more complete discussion of Article XIII A). Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

Reduction in Inflationary Rate. The annual inflationary adjustment, while limited to 2%, is determined annually and may not exceed the percentage change in the California Consumer Price Index (CCPI).

Because the Revenue and Taxation Code does not distinguish between positive and negative changes in the CCPI used for purposes of the inflation factor, there was a decrease of 0.237% in 2009-10 – applied to the 2010-11 tax roll – reflecting the actual change in the CCPI, as reported by the DOF. For each fiscal year since Article XIII A has become effective (the 1978-79 fiscal year), the annual increase for inflation has been at least 2% except in ten fiscal years as shown on the following page:

<u>Tax Roll</u>	<u>Percentage</u>	<u>Tax Roll</u>	<u>Percentage</u>
1981-82	1.000%	2011-12	0.753%
1995-96	1.190	2014-15	0.454
1996-97	1.110	2015-16	1.998
1998-99	1.853	2016-17	1.525
2004-05	1.867	2021-22	1.036
2010-11	(0.237)		

Proposition 8 Adjustments. Proposition 8, approved in 1978, provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions based on Proposition 8 do not establish new base year values, and the property may be reassessed as of the following lien date up to the lower of the then-current fair market value or the factored base year value. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. This methodology has been approved by the Fourth District Court of Appeals in a case in which the California Supreme Court declined further review. See “FINANCIAL INFORMATION - Property Taxation in California - Proposition 8 Adjustments” herein.

If Proposition 8 adjustments are made by the County Assessor in future years because of declines in the fair market value of properties caused by the lack of real estate development in the area generally or other economic factors, Tax Revenues may be adversely affected and as a possible consequence may have an adverse effect on the Successor Agency’s ability to pay debt service on the 2025 Bonds.

Assessment Appeals. Assessment appeals may be filed by property owners seeking a reduction in the assessed value of their property. After the property owner files an appeal, the County’s Assessment Appeals Board will hear the appeal and make a determination as to whether or not there should be a reduction in assessed value for a particular property and the amount of the reduction, if any. To the extent that any reductions are made to the assessed valuation of such properties with appeals currently pending, or appeals subsequently filed, Tax Increment Revenues, and correspondingly, Tax Revenues, will be reduced. Such reductions have not been included in the projections in Table No. 4, but if made, may have an adverse effect on the Successor Agency’s ability to pay debt service on the 2025 Bonds (see “THE REDEVELOPMENT PROJECT - Assessment Appeals” herein).

Natural Hazards. The County, like all California communities, may be subject to unpredictable seismic activity, fires or floods. In the event of a severe earthquake, fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the County and the Redevelopment Project. The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience (“OR3”).

In order to improve emergency response, elevate disaster awareness and prepare for increases in extreme weather due to climate change, the Board created the OR3 in December 2020. The OR3 goes beyond traditional emergency operations to create a full-service division to help the community prepare for disasters, respond during emergencies and assist with recovery.

The County has adopted a Natural Hazards Mitigation Plan. This plan includes a hazard analysis for earthquake, flood, landslide and fire risk, and is required to comply with Federal Emergency Management Agency (“FEMA”) requirements for disaster relief funding. Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Tax Increment Revenues through reduction in the aggregate assessed valuation within the boundaries of the Redevelopment Project.

A further discussion of particular natural hazard risks follows.

Seismic Risks. The County, like most areas of California, is subject to unpredictable seismic activity. The occurrence of seismic activity in the County could result in substantial damage to properties in the Redevelopment Project, which, in turn, could substantially reduce the value of such properties and could affect the ability or willingness of the property owners to pay their property taxes.

The County's General Plan notes that the County is located in a seismically active region and could be impacted by a major earthquake originating from the numerous faults in the area. Surface rupture, ground shaking and liquefaction are the primary seismic risk to the County from a major earthquake along the San Andreas fault or within the Butano, Sargent, Zayante and Corralitos fault zones. Slope instability could result in landslides during ground shaking in some portions of the County. In particular, the epicenter of the 7.1 magnitude Loma Prieta earthquake, which struck in 1989, was located approximately 10 miles east-northeast of the City of Santa Cruz.

Flooding Risks. In addition to its 3 mile section of coastline along the Pacific Ocean, a small portion of the Redevelopment Project is located in a 100-year flood plain

Most of the historical severe flooding has occurred outside of the Redevelopment Project. A flood occurred in 1995 when storm water breached the protective levee of the Pajaro River and flooded approximately 3,280 acres adjacent to the river. The County was required to pay a portion of damages resulting from the levee breach. Another flood occurred in 2023 on the Monterey County side of the Pajaro River due to a 400-foot breach of the levee. Litigation related to damages resulting from the levee breach has been filed against various public agencies, including the County. The Pajaro Regional Flood Management Agency, a joint powers authority of the County, the Santa Cruz County Flood Control and Water Conservation District Zone No. 7, the County of Monterey, the Monterey County Water Resources Agency, and the City of Watsonville was formed in 2021, to plan, finance and implement projects and programs to reduce flood risk from the lower Pajaro River and its tributaries in Santa Cruz and Monterey Counties.

The County and the Redevelopment Project could also be subject to impacts from tsunamis in the event of an earthquake occurring offshore.

Fire Risks. The Redevelopment Project is located in a moderate Fire Hazard Severity Zone, bordering on a high Fire Hazard Severity Zone. In recent years, wildfires have caused extensive damage throughout the State and in the County. Certain of these fires, like the CZU Lightning Complex Fire have burned thousands of acres and destroyed numerous homes. In some instances, entire neighborhoods have been destroyed. There can be no assurances that future wildfires will not affect the property located in the Redevelopment Project. Property damage due to wildfire could result in a significant decrease in the market value of property in the Redevelopment Project and in the ability or willingness of property owners to pay property taxes when due.

Sea Level Rise and Risks Associated with Global Climate Change. The western boundary of the County is located along and inland from the Pacific Ocean coast of California. The Redevelopment Project includes 3 miles of coastline. In recent years, concern has arisen regarding the impact of climate change on coastal communities like the County, including as a result of sea level rise. The County's 2013 Climate Action Strategy originally identified risks of potential damage to property in the County in the event of various climate change scenarios resulting from sea level rise as well as the actions current and future decision makers will need to take to protect the natural and built environments, residents, visitors, and the economic base and quality of life. The County adopted a 2022 Climate Action and Adaption Plan to include adaptation and mitigation strategies, founded upon the principles of equity and actionable within the span of local government response.

Sea level rise is expected to gradually inundate low-lying areas, which includes the shoreline and beach areas along the coastline that are presently closest to sea level, and therefore some property in the County will be susceptible to direct impacts from rising sea levels, as will certain public facilities, operated by the

City of Santa Cruz and shared by the County. The greatest uncertainty is the rate at which sea level rise will occur. Because sea level rise is a gradual process, affected public agencies can implement long-term policies designed to mitigate the impacts, but there is no guarantee that there will be funding to invest in adaptation strategies or what the net effect of those strategies will be.

The impacts of sea level rise can include physical damage to property and therefore reduced habitability, which could result in a significant decrease in the market value of the property in the County and in the ability or willingness of property owners to pay property taxes. Other properties within the County and the Redevelopment Project are located along rivers that may be subject to more frequent or increased levels of flooding, again with a potential for impact on property value over time.

Other potential impacts of climate change, in addition to sea level rise, may include extreme temperatures becoming more common and extreme weather events becoming more frequent. Projections of the impacts of global climate change on the County and the Redevelopment Project are complex and depend on many factors that are outside the control of the County. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the County is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts on the operations, finances and market value of property in the County, including the Redevelopment Project, or on the County's economy.

Coastal Storm Waves. Sea level rise could also increase the frequency of coastal flooding from extreme waves. Extreme waves during storms have recently caused localized flooding and damage to structures along the Santa Cruz County coast, including the Redevelopment Project's coastal property.

Homeowners' Calamity Relief. A property owner affected by the CZU Lightning Complex Fire in 2020 could file an Application for Calamity Relief and/or Deferral of Regular Secured Taxes with the County Assessor by December 10, 2020, allowing current property taxes to be reduced for that portion of the property damaged or destroyed. The Deferral of Regular Secured Taxes portion of the application included a request to postpone the next installment of property taxes. Timely filed and approved applications for property tax deferral allowed postponement of the next property tax installment until the county assessor reassessed the property and the owner received a corrected tax bill. To qualify for deferral, for property receiving a homeowners' exemption, "substantial disaster damage" means damage amounting to at least 10 percent of its fair market value or \$10,000, whichever was less. For all other property, the damage must have been at least 20 percent of value.

Property damage due to future natural disasters in the Redevelopment Project could result in a significant decrease in the market value of property in the Redevelopment Project and in the ability or willingness of property owners to pay property taxes when due. The County could also again implement a deferral program for property taxes similar to the program described above.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of parcels would be the discovery of a hazardous substance that would limit the beneficial use of a property within the Redevelopment Project. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner (or operator) may be required to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Redevelopment Project be affected by a hazardous substance would be to reduce the marketability and value of the property, perhaps by an amount in excess of the costs of remedying the condition. The Successor Agency can give no assurance that future development will not be limited by these conditions.

Development Risks. The Successor Agency's collection of Tax Revenues is directly affected by the economic strength of the Redevelopment Project. Potential development within the Redevelopment Project

will be subject to all the risks generally associated with real estate development projects, including unexpected delays, disruptions and changes. Real estate development operations may be adversely affected by changes in general economic conditions, fluctuations in real estate market and interest rates, unexpected increases in development costs and other similar factors. Further, real estate development operations within the Redevelopment Project could be adversely affected by future governmental policies, including governmental policies to restrict or control development. If projected development in the Redevelopment Project is delayed or halted, the economy of the Redevelopment Project could be affected, causing a reduction in Tax Revenues available to pay debt service on the 2025 Bonds.

Certain Bankruptcy Risks. The enforceability of the rights and remedies of the Owners of the 2025 Bonds and the obligations of the Successor Agency may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equitable principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the 2025 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

Levy and Collection of Taxes. The Successor Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provision of additional sources of income to Taxing Agencies having the effect of reducing the property tax rate must necessarily reduce the amount of Tax Increment Revenues, and consequently, Tax Revenues that would otherwise be available to pay the principal of, and interest on the 2025 Bonds.

The County could also elect to terminate the Teeter Plan and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of taxes within the Redevelopment Project. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues.

Interpretation of and Future Changes in the Law; Voter Initiatives. The Redevelopment Law and the Dissolution Act are complex bodies of law and their application to the Successor Agency, the Redevelopment Plan and the Redevelopment Project may be subject to different interpretations by the Successor Agency, the DOF, the County Auditor-Controller, Taxing Agencies and other interested parties, including with respect to Tax Sharing Agreements and Statutory Tax Sharing obligations and enforceable obligations. Since the effectiveness of the Dissolution Act, the DOF and various successor agencies have from time to time disagreed about the interpretation of different language contained in the Dissolution Act, as well as whether or not the DOF has exceeded its authority in rejecting items from Recognized Obligation Payment Schedules submitted by successor agencies, as evidenced by numerous lawsuits. While the Successor Agency has covenanted in the Indenture to preserve and protect the security of the 2025 Bonds and the rights of the Bondholders (see "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Covenants of the Successor Agency"), any such action taken by the Successor Agency could incur substantial time and cost that may have a detrimental effect on the Successor Agency's ability to timely pay debt service on the 2025 Bonds. Moreover, the Successor Agency cannot guarantee the outcome of any such action taken by the Successor Agency to preserve and protect the security of the 2025 Bonds and the rights of the Bondholders.

In addition to the existing limitations on Tax Increment Revenues described in this Official Statement under "FINANCIAL INFORMATION - Property Taxation in California," the California electorate or Legislature could adopt future limitations with the effect of reducing Tax Increment Revenues payable to the Successor Agency.

Real Estate and General Economic Risks

Tax Increment Revenues as presented herein as available for payment of any indebtedness of the Successor Agency are based upon the latest actual assessed values for the 2024-25 Fiscal Year. Redevelopment of real property within the Redevelopment Project by the County, as well as private development in the Redevelopment Project, may be adversely affected by changes in general economic conditions, fluctuations in the real estate markets and interest rates, unexpected increases in development costs, changes in or new governmental policies including governmental policies to restrict or control certain kinds of development and by other similar factors. If development and redevelopment activities in the Redevelopment Project encounter significant obstacles of the kind described herein or other impediments, the economy of the area in and around the Redevelopment Project could be adversely affected, causing reduced taxable valuation of property in the Redevelopment Project, a reduction of the Tax Increment Revenues and a consequent reduction in Tax Revenues available to repay the 2025 Bonds. Due to the future decline in the general economy of the region, owners of property within the Redevelopment Project may be less able or less willing to make timely payments of property taxes, causing a delay or reduction of Tax Increment Revenues and consequently a reduction in Tax Revenues available to repay the 2025 Bonds.

Cybersecurity

The County and the Successor Agency, like many other public and private entities, relies on computer and other digital networks and systems to conduct their operations and finances and consequently face the threat of cybersecurity incidents. As a recipient and provider of personal, private or other electronic sensitive information, the County faces cyber threats from time to time including, but not limited to, hacking, viruses, malware, ransomware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the County's systems for the purposes of misappropriating assets or information or causing operational disruption or damage.

The County has developed incident response plans for cyber events and has implemented cyber security training for all County employees. A cyber security committee has developed policies for end users around passwords, training, data destruction and handling as well as mobile device use. The County's Information Services Department actively participates and works with local and national cybersecurity groups such as the National Association of Counties, the Multi-State Information Sharing & Analysis Center and the Northern California Regional Incident Command. The County also engages the Department of Homeland Security's Cybersecurity & Infrastructure Security Agency yearly for vulnerability assessments and weekly scans of externally facing systems. Additionally, the County conducts twice yearly tabletop exercises and also took part in a Bay Area tabletop exercise in March 2024 (a tabletop exercise is a structured and facilitated meeting to discuss a simulated emergency situation). As standards continue to change, the County too will continually update processes and priorities to meet these changes.

In 2023, the County experienced a cyber fraud incident, and is working with law enforcement and its insurance carrier to obtain restitution. The County has never had a major cyber breach that resulted in a significant financial loss, and the 2023 incident did not impact critical financial operations of the County. The County has since instituted certain procedural changes and continues to monitor its compliance with its policies. However, no assurances can be given that the security and operational control measures of the County will be successful in guarding against any and each cyber threat or breach. Although the County maintains insurance coverage for cyber security losses should a successful breach ever occur again, the cost of any such disruption or remedying damage caused by future attacks could be substantial and in excess of such insurance coverage.

The County and the Successor Agency are also reliant on other entities and service providers in connection with the administration of the 2025 Bonds, including the Trustee, and the dissemination agent. No assurance can be given that the County, the Successor Agency and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond Owners.

2025 Bonds Loss of Tax Exemption

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2025 Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of 2025 Bond proceeds, limitations on the investment earnings on 2025 Bonds proceeds prior to expenditure, a requirement that certain investment earnings on the 2025 Bond proceeds be paid periodically to the United States and a requirement that the issuers file an information report with the Internal Revenue Service (the “IRS”). The Successor Agency has covenanted in certain of the documents referred to herein that they will comply with such requirements. Failure to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the 2025 Bonds as taxable, retroactively to the date of issuance of such 2025 Bonds.

IRS Audit of Tax-Exempt Bond Issues

The Internal Revenue Service has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2025 Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the 2025 Bonds might be affected as a result of such an audit of the 2025 Bonds (or by an audit of similar municipal obligations).

Secondary Market

There can be no guarantee that there will be a secondary market for the 2025 Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

Federal Tax Exemption

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel to the Successor Agency (the “Issuer”), under existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the Issuer with certain covenants in the Indenture, the Tax Certificate and other documents pertaining to the 2025 Bonds and requirements of the Internal Revenue Code of 1986 (the “Code”) regarding the use, expenditure and investment of proceeds of the 2025 Bonds and the timely payment of certain investment earnings to the United States, interest on the 2025 Bonds is not included in the gross income of the owners of the 2025 Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the 2025 Bonds to be included in gross income retroactive to the date of issuance of the 2025 Bonds.

In the further opinion of Bond Counsel, interest on the 2025 Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum tax on individuals. Bond Counsel expresses no opinion regarding the applicability of the federal corporate alternative minimum tax to the adjusted financial statement income of certain corporations.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry

tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the 2025 Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate or other documents pertaining to the 2025 Bonds may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the 2025 Bonds or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Norton Rose Fulbright US LLP or in reliance upon the advice of counsel other than Norton Rose Fulbright US LLP with respect to the exclusion from gross income of the interest on the 2025 Bonds for federal income tax purposes.

Bond Counsel's opinion is not a guarantee of result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and judicial decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of examining the tax-exempt status of the interest on municipal obligations. If an examination of the 2025 Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the 2025 Bonds would have no right to participate in the examination process. In responding to or defending an examination of the tax-exempt status of the interest on the 2025 Bonds, the Issuer may have different or conflicting interests from the owners. Additionally, public awareness of any future examination of the 2025 Bonds could adversely affect the value and liquidity of the 2025 Bonds during the pendency of the examination, regardless of its ultimate outcome.

Tax Accounting Treatment of Bond Premium and Original Issue Discount

Bond Premium. To the extent a purchaser acquires a 2025 Bond at a price in excess of the amount payable at its maturity, such excess will constitute "bond premium" under the Code. The Code and applicable Treasury Regulations provide generally that bond premium on a tax-exempt obligation is amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations) based on the obligation's yield to maturity (or shorter period in the case of certain callable obligations). The amount of premium so amortized reduces the owner's basis in such obligation for federal income tax purposes, though such amortized premium is not deductible for federal income tax purposes. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. Bond Counsel is not opining on the accounting for bond premium or the consequence to a 2025 Bond purchaser of purchasing a 2025 Bond with bond premium. Accordingly, persons considering the purchase of 2025 Bonds with bond premium should consult their own tax advisors with respect to the determination of bond premium on such 2025 Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025 Bonds.

Original Issue Discount. The excess, if any, of the stated redemption price at maturity of 2025 Bonds of a particular maturity over the initial offering price to the public of the 2025 Bonds of that maturity at which a substantial amount of the 2025 Bonds of that maturity is sold to the public is "original issue discount." Original issue discount accruing on a 2025 Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes under the same conditions and limitations as are applicable to interest payable on such 2025 Bond. Original issue discount on a 2025 Bond of a particular maturity purchased pursuant to the initial public offering at the initial public offering price at which a substantial amount of the 2025 Bonds of that maturity is sold to the public accrues on a semiannual basis over the term of the 2025 Bond on the basis of a constant yield; and within each semiannual period accrues

on a ratable daily basis. The amount of original issue discount on a 2025 Bond accruing during each period is added to the adjusted basis of such 2025 Bond, which will affect the amount of taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2025 Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers that purchase 2025 Bonds other than at the initial offering price. Bond Counsel is not opining on the accounting for or consequence to a 2025 Bond purchaser of purchasing a 2025 Bond with original issue discount. Accordingly, persons considering the purchase of 2025 Bonds with original issue discount should consult their own tax advisors with respect to the determination of original issue discount on such 2025 Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such 2025 Bonds.

Information Reporting and Backup Withholding

Interest paid on the 2025 Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the 2025 Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not “exempt recipients,” and (b) either fail to provide certain identifying information (such as the beneficial owner’s taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner’s federal income tax liability so long as the required information is furnished to the IRS.

State Tax Exemption

In the further opinion of Bond Counsel, interest on the 2025 Bonds is exempt from personal income taxes imposed by the State of California.

Future Developments

Existing law may change to reduce or eliminate the benefit to owners of the 2025 Bonds of the exclusion of the interest on the 2025 Bonds from gross income for federal income tax purposes or of the exemption of interest on the 2025 Bonds from State of California personal income taxation. Any proposed legislation, whether or not enacted, or administrative action, whether or not taken, could also affect the value and marketability of the 2025 Bonds. Prospective purchasers of the 2025 Bonds should consult their own tax advisors with respect to any proposed or future change in tax law.

A copy of the form of opinion of Bond Counsel relating to the 2025 Bonds is included in APPENDIX E hereto.

LEGAL MATTERS

Enforceability of Remedies

The remedies available to the Trustee and the Owners of the 2025 Bonds upon an event of default under the Indenture or any other document described herein are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under such documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2025 Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2025 Bonds and the Indenture are subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Approval of Legal Proceedings

Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel, will render an opinion with respect to the 2025 Bonds which states that the Indenture is a valid and binding obligation of the Successor Agency and enforceable in accordance with its terms. The legal opinion of Bond Counsel will be subject to the effect of bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights and to the exercise of judicial discretion in accordance with general principles of equity. See "APPENDIX E" for the proposed form of Bond Counsel's opinion with respect to the 2025 Bonds.

The Successor Agency has no knowledge of any fact or other information which would indicate that the Indenture is not so enforceable against the Successor Agency, except to the extent such enforcement is limited by principles of equity and by state and federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights generally.

Certain legal matters will be passed on for the Successor Agency by the County Counsel, as General Counsel to the Successor Agency. Stradling Yocca Carlson & Rauth LLP, Newport Beach, California, will also pass on certain legal matters for the Successor Agency as Disclosure Counsel. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon the sale and delivery of the 2025 Bonds.

No Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2025 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing.

CONCLUDING INFORMATION

Ratings on the 2025 Bonds

S&P Global Ratings ("S&P") has assigned its rating of "___" to the 2025 Bonds. S&P is expected to assign its municipal bond rating of "___" to the 2025 Bonds with the understanding that the Insurance Policy insuring the payment when due of the principal of and interest on the 2025 Bonds will be issued concurrently by the Insurer with the delivery of the 2025 Bonds. Such ratings reflect only the views of the rating agency and any desired explanation of the significance of such ratings, and any outlook associated with such ratings should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

Except as otherwise required in the Continuing Disclosure Certificate, the Successor Agency undertakes no responsibility either to bring to the attention of the owners of any 2025 Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2025 Bonds. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

The Municipal Advisor

The material contained in this Official Statement was prepared by the Successor Agency with the assistance of the Municipal Advisor who advised the Successor Agency as to the financial structure and certain other financial matters relating to the 2025 Bonds. The information set forth herein received from sources other than the Successor Agency has been obtained by the Successor Agency from sources which are believed to be reliable, but such information is not guaranteed by the Municipal Advisor as to accuracy or completeness, nor has it been independently verified. Fees paid to the Municipal Advisor are contingent upon the sale and delivery of the 2025 Bonds.

Continuing Disclosure

The Successor Agency will provide annually certain financial information and data relating to the Redevelopment Project by not later than March 31 in each year commencing March 31, 2026 (the “Annual Report”), and will provide notices of the occurrence of certain other enumerated events in accordance with Rule 15c2-12 of the Securities Exchange Act of 1934 as amended (the “Rule”). The Municipal Advisor will act as Dissemination Agent. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events and certain other terms of the continuing disclosure obligation are found in the form of the Successor Agency’s Continuing Disclosure Certificate attached in “APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Successor Agency has entered into previous undertakings pursuant to the Rule. The Successor Agency believes it has complied in all material respects with any undertaking made pursuant to the Rule within the last five years.

Underwriting

The 2025 Bonds were sold to _____ (the “Underwriter”), who is offering the 2025 Bonds at the prices set forth on the inside cover page hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others.

The Underwriter has purchased the 2025 Bonds at a price equal to \$_____, which amount represents the principal amount of the 2025 Bonds plus a net original issue premium of \$_____, less an Underwriter’s discount of \$_____. The Underwriter will pay certain of its expenses relating to the offering from the Underwriter’s discount.

Additional Information

The summaries and references contained herein with respect to the Indenture, the 2025 Bonds, statutes and other documents, do not purport to be comprehensive or definitive and are qualified by reference to each such document or statute and references to the 2025 Bonds are qualified in their entirety by reference to the form hereof included in the Indenture. Copies of this document may be obtained after delivery of the 2025 Bonds from the Successor Agency at 701 Ocean Street, Santa Cruz, California 95060.

References

All statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Successor Agency and the purchasers or Owners of any of the 2025 Bonds.

Execution

The execution and delivery of this Official Statement by the Auditor-Controller-Treasurer-Tax Collector acting as the Treasurer of the Successor Agency has been duly authorized by the Successor Agency.

SANTA CRUZ COUNTY REDEVELOPMENT SUCCESSOR AGENCY

By: _____
Treasurer

APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
[TO BE PROVIDED BY BOND COUNSEL]

APPENDIX B

COUNTY OF SANTA CRUZ INFORMATION STATEMENT

General Information

The County is situated at the northern tip of Monterey Bay, 73 miles south of San Francisco, 42 miles north of Monterey, and 35 miles south of the Silicon Valley. The County is the gateway to the Monterey Bay National Marine Sanctuary, has 29 miles of beaches and includes seven state parks and seven state beaches. It is the second smallest county in California in land area, containing a total of 445 square miles. There are four incorporated cities in the County: Capitola, Santa Cruz, Scotts Valley and Watsonville.

The City of Santa Cruz was incorporated as a city in 1866. It is the county seat of the County and is the location of the Santa Cruz campus of the University of California. The City of Watsonville, established in 1868, lies 18 miles southeast of the City of Santa Cruz. The City of Watsonville is the center of the County's agriculture region transporting fresh and processed farm crops to worldwide destinations. The City of Capitola stretches along the coast east of the City of Santa Cruz. It was incorporated in 1949 and is a tourist destination and regional retail center. The City of Scotts Valley, incorporated in 1966, lies north of the City of Santa Cruz and includes community commercial areas serving local residents and a mix of industrial sites that have supported light manufacturing and research development firms predominantly in the electronics and technology industries.

Unincorporated communities in the County include: Live Oak, an urban coastal area, between the City of Santa Cruz and the City of Capitola; Soquel, which lies inland north of Capitola; Aptos, east of Soquel; Felton, Ben Lomond and Boulder Creek, which are located in the San Lorenzo Valley between the City of Santa Cruz and Big Basin State Park; Davenport, which is located on the coast north of the City of Santa Cruz; Corralitos, located east of Aptos and northwest of the City of Watsonville; Freedom, which is adjacent to and northwest of the City of Watsonville; and the Pajaro Valley, an agricultural area surrounding the City of Watsonville.

Organization

The County was incorporated in 1850 as one of the original 27 counties of the State with the City of Santa Cruz as the county seat. It has a general law form of government. A five-member Board of Supervisors elected to four-year terms serves as the legislative body. Also elected are the Auditor-Controller-Treasurer-Tax Collector, District Attorney-Public Administrator, Sheriff-Coroner, Registrar of Voters-Clerk and Assessor-Recorder. The County Administrative Officer, County Counsel and Public Defender are appointed by the Board of Supervisors.

Governmental Services

General Government

General Government includes the departments of the Assessor-Recorder, Auditor-Controller-Treasurer-Tax Collector, Board of Supervisors, the County Administrative Office, County Clerk, County Counsel, General Services, Information Services and Personnel & Risk Management. These departments primarily oversee the administration and financial functions of the County.

The County is responsible for the administration of the property tax system, including property assessment, assessment appeals, collection of taxes and distribution of taxes to cities, former redevelopment agencies, special districts, local school districts and the County. A second major function is the County's voter registration and election system.

Health and Human Services

Health and Human Services includes the Health Services Agency, the Human Services Department and the Department of Child Support Services. The County's Health Services Agency was established to provide central administration for various health-related programs operated or sponsored by the County. These programs include mental health, public health, environmental health, medical outpatient clinics, medical care for indigents and drug and alcohol treatment services. The County established a Housing for Health division in Fiscal Year 2020-21 with the aim to support and house chronically unhoused individuals in the County.

Public Safety & Justice

The County criminal justice system consists of the Sheriff-Coroner, the Probation Department, the District Attorney, the Public Defender and a contribution to the Superior Court. Other Public Safety priorities are supported primarily through fees for service and include fire protection, flood control and water conservation, and animal control services.

In addition to countywide law enforcement services, the Sheriff provides narcotics enforcement, investigation of arson, homicides, consumer fraud and crime scene investigation, and acts as coroner for the County and all incorporated cities. The Sheriff operates three jail facilities throughout the County.

The County coordinates an emergency network to handle floods, fires, earthquakes and other major disasters through the Office of Response, Recovery and Resilience, a division of the County Administrative Office. The Santa Cruz County Flood Control and Water Conservation District provides flood control and water conservation planning.

Fire protection services in the County are provided by the cities of Santa Cruz and Watsonville, nine fire protection districts and the University of California, Santa Cruz. The Santa Cruz County Fire Department, operated through the California Department of Forestry and Fire Protection (CALFIRE), is responsible for fire protection and first responder emergency medical services in areas outside the boundaries of the fire protection districts.

The County is a participant in a joint powers emergency communications agency which provides public safety dispatchers who coordinate multi-agency mutual aid response, as well as dispatch the Sheriff's Office, ambulance/paramedic services and most fire protection agencies operating within the County.

Land Use and Community Services

The County departments responsible for Land Use and Community Services include the Agricultural Commissioner, Agricultural Extension, Parks, Open Space and Cultural Services, Community Development and Infrastructure and the Redevelopment Successor Agency.

The Department of Community Development and Infrastructure ("CDI") was created during Fiscal Year 2021-22. The Planning division of CDI develops, implements and enforces land use policies and ordinances, administers environmental review and protection programs, processes and issues building, zoning, and other developmental permits, handles code compliance and oversees affordable housing and community development efforts. The Public Works division of CDI provides for the maintenance of public infrastructure for services associated with transportation, solid waste, sanitation, parking, drainage, and solid waste/recycling.

Transportation

Six major State highways connect the County with adjacent counties. Highway 1 leads along the coast from San Francisco south to the City of Santa Cruz and on to Monterey. Highways 9 and 17 traverse the County from the City of Santa Cruz across the Santa Cruz Mountains into Santa Clara County. The City of Watsonville is joined with Santa Clara County by Highway 152 and with San Benito County by Highway 129. Highways 17, 152 and 129 connect with U.S. 101, a major north-south route. Highway 236 provides access to Big Basin State Park.

Air cargo and passenger flight services are provided at the San José Mineta International Airport, 32 miles northeast; Monterey Regional Airport, 43 miles south; and San Francisco International Airport, 60 miles north. Watsonville Municipal Airport provides private and executive air transportation facilities and air cargo.

Bus transportation is provided through the Santa Cruz Metropolitan Transit District for inter-urban and local inter-community service. Greyhound Bus Lines provides service to other local areas and additional transcontinental service with connections to Amtrak.

Population

The following table shows the January 1 State of California Department of Finance estimates of total population in the County of Santa Cruz and the State of California for each year since 2020, and the change from the previous year.

January 1 <u>Year</u>	<u>COUNTY OF SANTA CRUZ</u>		<u>STATE OF CALIFORNIA</u>	
	<u>Population</u>	<u>Percentage Change</u>	<u>Population</u>	<u>Percentage Change</u>
2020 ⁽¹⁾	271,259		39,535,623	
2021 ⁽²⁾	265,533	(2.1)%	39,327,868	(0.5)%
2022 ⁽²⁾	264,495	(0.4)	39,114,785	(0.5)
2023 ⁽²⁾	263,338	(0.4)	39,061,058	(0.1)
2024 ⁽²⁾	262,572	(0.3)	39,128,162	0.2

Source: (1) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2011-2020, with 2010 Census Benchmark"* Sacramento, California, May 2021.

(2) *State of California, Department of Finance, "E-4 Population Estimates for Cities, Counties and the State, 2021-2024, with 2020 Census Benchmark"* Sacramento, California, May 2024.

Employment

Civilian labor force, employment and unemployment statistics for the County, the State and the nation, for the years 2019 through 2023 are shown in the following table.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES

<u>Calendar Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
<u>2019</u>				
Santa Cruz County	141,100	134,100	7,000	5.0%
California	19,353,700	18,550,500	803,200	4.2
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
Santa Cruz County	133,600	120,900	12,700	9.5%
California	18,821,200	16,913,100	1,908,100	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
Santa Cruz County	133,400	124,200	9,200	6.9%
California	18,923,200	17,541,900	1,381,200	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<u>2022</u>				
Santa Cruz County	134,200	127,800	6,400	4.8%
California	19,252,000	18,440,900	811,100	4.2
United States	164,278,000	158,291,000	5,996,000	3.6
<u>2023</u>				
Santa Cruz County	133,200	125,600	7,600	5.7%
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: California State Employment Development Department and United States Bureau of Labor Statistics.

Industry

The County is located in the Santa Cruz-Watsonville Metropolitan Statistical Area (“MSA”). Wage and salary workers by industry statistics for the Metropolitan Division annual averages for the years 2019 through 2023 are shown in the following table.

SANTA CRUZ-WATSONVILLE MSA WAGE AND SALARY WORKERS BY INDUSTRY ⁽¹⁾

<u>Industry</u>	Calendar Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Government	22,400	21,100	20,200	18,800	19,300
Other Services	5,300	4,400	4,300	4,700	4,700
Leisure and Hospitality	14,800	10,300	11,800	14,000	14,500
Educational and Health Services	18,000	17,100	17,200	17,700	18,500
Professional and Business Services	10,900	10,400	10,600	10,700	9,900
Financial Activities	3,400	3,200	3,200	3,300	3,300
Information	600	600	600	600	600
Transportation, Warehousing and Utilities	1,700	1,700	2,000	2,200	2,100
Service Producing					
Retail Trade	11,700	10,800	11,000	11,000	10,800
Wholesale Trade	3,400	3,300	3,300	3,500	3,300
Manufacturing					
Nondurable Goods	3,400	3,100	3,300	3,700	3,500
Durable Goods	3,700	3,700	4,200	4,300	4,400
Natural Resources, Mining and Construction	<u>4,500</u>	<u>4,400</u>	<u>4,800</u>	<u>5,000</u>	<u>5,100</u>
Total Nonfarm	103,700	93,900	96,500	99,300	99,800
Farm	<u>8,200</u>	<u>8,000</u>	<u>7,200</u>	<u>7,100</u>	<u>6,700</u>
Total (all industries)	111,900	101,900	103,700	106,400	106,500

⁽¹⁾ Annual average.

Note: The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

Source: State of California Employment Development Department, Labor Market Information Division, “*Industry Employment & Labor Force - by Annual Average.*”

**COUNTY OF SANTA CRUZ
MAJOR EMPLOYERS**

The major employers operating within the County and their respective number of employees as of June 30, 2024 are as follows:

<u>Name of Company</u>	<u>Number of Employees⁽¹⁾</u>	<u>Product/Service</u>
University of California at Santa Cruz	1,000-4,999	Education
Santa Cruz Government Center	1,000-4,999	County Services
Dominican Hospital	1,000-4,999	Hospital
Santa Cruz Health Center	500-999	County Services
Granite Rock	500-999	Excavating Contractors
Plantronics ⁽²⁾	500-999	
Watsonville City Sewer Department	500-999	City Services
Source Naturals	500-999	Vitamin Manufacturer
Cabrillo Sesnon House	500-999	Venue and Event Spaces
Monterey Mushrooms	500-999	Agriculture
Larse Farms	500-999	Agriculture
Ameri-Kleen	500-999	Services

(1) Number of Employees reflects an average range based on California Employment Development Department data.

(2) Facility sold to Joby Aviation in November 2022. Joby Aviation specializes in electric vertical takeoff and landing aircraft.

Source: County of Santa Cruz Annual Comprehensive Financial Report

In late 2024, Monterey Mushrooms announced a closure of its facility in Watsonville. The County is not aware of any other significant changes in its largest employers since June 2024.

Per Capita Personal Income

Per capita personal income information for the County, the State of California and the United States for the years 2019 through 2023 are summarized in the following table.

**PER CAPITA PERSONAL INCOME
COUNTY, STATE AND UNITED STATES**

<u>Calendar Year</u>	<u>County of Santa Cruz</u>	<u>State of California</u>	<u>United States</u>
2019	\$69,402	\$64,219	\$55,566
2020	77,231	70,098	59,123
2021	88,329	76,882	64,460
2022	83,277	76,941	66,244
2023	88,581	81,255	69,810

Note: All dollar estimates are in current dollars (not adjusted for inflation).

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

Commercial Activity

Taxable transactions by type of business for the County are summarized below for 2019 through 2023 (the most recent year for which full-year statistics are available).

TAXABLE TRANSACTIONS BY TYPE OF BUSINESS (in thousands)

	Calendar Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<i>Retail and Food Services</i>					
Motor Vehicle and Parts Dealers	\$ 404,030	\$ 411,407	\$ 493,363	\$ 488,190	\$ 613,350
Home Furnishings and Appliance Stores	112,460	106,194	124,045	122,849	106,198
Building Material, Garden Supplies	349,453	405,904	435,731	440,552	428,878
Food and Beverage Stores	285,897	292,589	294,159	298,904	296,050
Gasoline Stations	273,002	210,315	295,589	374,213	328,980
Clothing and Accessories Stores	169,279	129,587	180,481	181,654	181,085
General Merchandise	286,437	278,370	315,253	336,312	327,438
Food Services and Drinking Places	571,589	404,323	569,320	637,266	650,931
Other Retail Group	<u>535,534</u>	<u>749,876</u>	<u>725,819</u>	<u>712,377</u>	<u>694,430</u>
Total Retail and Food Services	2,987,680	2,988,564	3,433,759	3,592,319	3,627,341
All Other Outlets	<u>993,163</u>	<u>977,196</u>	<u>1,142,227</u>	<u>1,253,953</u>	<u>1,239,195</u>
Total All Outlets	\$3,980,843	\$3,965,760	\$4,575,986	\$4,846,272	\$4,866,536

Note: Detail may not compute to total due to rounding.

Source: California Department of Tax and Fee Administration, "Taxable Sales - Counties by Type of Business."

Building Activity

The following table summarizes building activity and valuations for the County unincorporated area for the five calendar years from 2019 through 2023.

BUILDING ACTIVITY AND VALUATION (in \$ thousands)

	Calendar Year				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Residential ⁽¹⁾	\$14,743	\$16,076	\$29,332	\$56,450	\$19,230
Non-Residential	<u>6,736</u>	<u>2,909</u>	<u>8,144</u>	<u>3,677</u>	<u>1,412</u>
Total Valuation	<u>\$21,789</u>	<u>\$18,985</u>	<u>\$37,416</u>	<u>\$60,127</u>	<u>\$20,642</u>

No. of New Dwelling Units:

Single-Family Units	62	79	141	212	50
Multi-Family Units	<u>13</u>	<u>8</u>	<u>0</u>	<u>137</u>	<u>7</u>
Total New Units	75	87	141	349	57

⁽¹⁾ New construction only, excludes remodels, additions, etc.

Source: Construction Industry Research Board.

APPENDIX C
SUCCESSOR AGENCY AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Santa Cruz County Redevelopment Successor Agency (the “Issuer”) in connection with the issuance of its Tax Allocation Refunding Bonds, 2025 Series A (“2025 Bonds”). The 2025 Bonds are being issued pursuant to an Indenture of Trust, dated as of February 1, 2025, by and between the Issuer and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) (collectively, the “Indenture”). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the 2025 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

“*Annual Report*” means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means March 31 in each year, beginning March 31, 2026.

“*Dissemination Agent*” means Harrell & Company Advisors, LLC, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the Authority and the Issuer in connection with the issuance of the 2025 Bonds.

“*Participating Underwriter*” means the original underwriter of the 2025 Bonds required to comply with the Rule in connection with offering of the 2025 Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2026 with the report for the 2024-25 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4. Not later than 5 days prior to the Annual Report Date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the Issuer may be submitted separately from the

balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Dissemination Agent (if other than the Issuer) shall have no duty or obligation to review such Annual Report.

(b) If the Issuer does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Issuer, in a timely manner, shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The audited financial statements of the Issuer may be included in the County of Santa Cruz' Comprehensive Annual Financial Report if no separate financial statement is prepared for the Issuer.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Issuer for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) aggregate assessed values of the Redevelopment Project in the same manner as provided in the Official Statement in Table No. 1;
- (ii) calculation of the coverage ratio for such Fiscal Year, including Additional Bonds, calculated in the same manner as provided in the Official Statement in Table No. 4 under the section entitled "Projected Tax Revenues and Debt Service Coverage"; and
- (iii) description of outstanding indebtedness payable from Tax Revenues issued during such Fiscal Year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Issuer shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Issuer shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 2025 Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or an obligated person, or the sale of all or substantially all of the assets of the Issuer or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material.
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) The Issuer shall, or shall cause the Dissemination Agent (if not the Issuer) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing,

notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected 2025 Bonds under the Indenture.

(c) The Issuer acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a 2025 Bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the 2025 Bonds. The Issuer shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the Issuer obtains knowledge of the occurrence of any of these Listed Events, the Issuer will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Issuer will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental Issuer has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental agency, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental agency having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(e) The term financial obligation means a (1) debt obligation; (2) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (3) guarantee of (e)(1) or (e)(2). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2025 Bonds.

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Harrell & Company Advisors, LLC. Any Dissemination Agent may resign by providing 30 days’ written notice to the Issuer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations and further provided that the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 2025 Bonds, or type of business conducted;

(b) *Compliance as of Issue Date.* The undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the 2025 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) *Consent of Holders; Non-impairment Opinion.* The proposed amendment or waiver either (i) is approved by holders of the 2025 Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the 2025 Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the Issuer fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the 2025 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Indenture. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Issuer hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the 2025 Bond holders or any other

party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2025 Bonds.

(b) The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 2025 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____

SANTA CRUZ COUNTY REDEVELOPMENT
SUCCESSOR AGENCY

By: _____
Treasurer

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

[TO BE PROVIDED BY BOND COUNSEL]

APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

APPENDIX G

THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2025 Bonds, payment of principal, interest and other payments on the 2025 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2025 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the 2025 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2025 Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2025 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2025 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2025 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2025 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on such Internet site is not incorporated herein by reference.*

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

8. Redemption proceeds and distributions on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject

to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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