

CITY OF MORENO VALLEY, CALIFORNIA
COMMUNITY FACILITIES DISTRICT NO. 87-1
(TOWNGATE)

CONTINUING DISCLOSURE REPORT
FOR FISCAL YEAR 2009/10



Report Date:
FEBRUARY 2011

Prepared by:
PUBLIC WORKS DEPARTMENT
SPECIAL DISTRICTS DIVISION

LIST OF PARTICIPANTS

Community Facilities District No. 87-1 (Towngate) 2007 Special Tax Refunding Bonds

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I. INTRODUCTION

A. DESCRIPTION OF PROCEEDINGS

The City of Moreno Valley, California (“City”), is located in the western portion of Riverside County and is bordered by March Air Reserve Base, Lake Perris, and the cities of Riverside and Perris.

Community Facilities District No. 87-1 (Towngate) of the City of Moreno Valley (“CFD No. 87-1” or “District”) was formed in 1988 to finance the acquisition of certain public facilities (water, sewer, and street improvements; landscaping; storm drain and utility systems) and all necessary work. CFD No. 87-1 consists of approximately 254 gross developable acres (247.95 net taxable acres) located within the City, bounded on the north by State Route 60, on the west by Day Street, on the south by Eucalyptus Avenue, and on the east by Frederick Street.

On October 23, 2007, the City Council approved the issuance of CFD No. 87-1, 2007 Special Tax Refunding Bonds (“Bonds”) to refinance the existing CFD No. 87-1 Special Tax Refunding Series A and Refunding Series B Bonds. On November 29, 2007, the Bonds were issued in the amount of \$10,665,000.

The Bonds are special obligations of CFD No. 87-1 and are payable solely from and secured by revenues derived from certain annual Special Taxes levied on and collected from the taxable properties within CFD No. 87-1. The Community Redevelopment Agency (“Agency”) has subsequently entered into an agreement with the City on behalf of CFD No. 87-1, entitled “Agency Towngate Agreement,” under which the Agency has agreed to make payments to CFD No. 87-1 derived from tax increment revenues from the Project Area. For further information concerning the City, Agency, Agency Towngate Agreement, or the Project Area, reference is made to the Official Statement of the Bonds.

Table 1 provides a summary of pertinent proceedings.

Table 1: Summary of Proceedings

Document	Number	Date
Resolution of Intention	87-83	August 25, 1987
Resolution of Formation	87-99	October 20, 1987
Resolution of Issuance (Series A Bonds)	88-13	April 12, 1988
Resolution of Issuance (Series B Bonds)	91-90	June 25, 1991
Resolution of Issuance (1994 Refunding Bonds)	94-28	May 24, 1994
Resolution of Issuance (Bonds)	2007-119	October 23, 2007

CFD No. 87-1 Bonds	
Date of Bond Issue (Dated Date)	November 29, 2007
Date of Bond Maturity	December 1, 2021
Amount of Bond Issue	\$10,665,000
Bond Insurer	Ambac Assurance Corp.*

* Bond insurer's current rating information may be obtained through bond rating agencies.

Table 2: Bond Principal

Year	CUSIP*	Principal	Year	CUSIP*	Principal
2009	616865 EE7	\$ 600,000	2016	616865 EM9	\$ 790,000
2010	616865 EF4	630,000	2017	616865 EN7	830,000
2011	616865 EG2	655,000	2018	616865 EP2	120,000
2012	616865 EH0	680,000	2018	616865 EQ0	750,000
2013	616865 EJ6	700,000	2019	616865 ER8	910,000
2014	616865 EK3	730,000	2020	616865 ES6	950,000
2015	616865 EL1	760,000	2021	616865 ET4	985,000

* Committee on Uniform Security Identification Procedures.

II. FINANCIAL AND OPERATING DATA

A. FINANCIAL INFORMATION

The City's audited financial statements for the period ended June 30, 2010, will be filed separately with the Electronic Municipal Market Access ("EMMA") service provided by the Municipal Securities Rulemaking Board (www.emma.msrb.org) and are hereby incorporated by reference into this report. The audited financial statements shall also be available through the City's Financial & Administrative Services Department and available for review on the City's website at www.moval.org. The City's audited financial statements are provided solely to comply with the Continuing Disclosure Agreement.

B. PRINCIPAL AMOUNT OUTSTANDING

The principal amount outstanding for the Bonds following the December 1, 2010 payment date is \$8,860,000. For a complete principal payment schedule, please refer to Appendix A: Debt Service Requirement.

C. FUND BALANCES

Table 3: Fund Balances

Fund / Account	Balance as of December 31, 2010
Special Tax Fund	\$ 181,857.61
Interest Account	8.29
Principal Account	-
Redemption Account	-
Reserve Account	1,028,829.12
Administration Expense Account	376.56
Lehman Bros. Investment Agreement	535,858.03
Rebate Fund	-
Cost of Issuance Fund	-
Surplus Fund	-

The Reserve Requirement as of December 2, 2010 is \$1,028,681.

The Bonds were primarily issued for refunding purposes. As such, no proceeds were allocated for the establishment or funding of an Acquisition and Construction Fund.

D. DISTRICT VALUATION

Table 4: CFD No. 87-1 Valuation

Fiscal Year	Total Assessed Value
2006/07	\$ 247,982,083
2007/08	319,347,223
2008/09	382,647,998
2009/10	369,382,029
2010/11	317,345,665

*The Total Assessed Value includes: land, structure, and unsecured values.

Source: Assessed Values - Riverside County Secured Property Tax Roll.

E. DELINQUENCIES

For Fiscal Years ("FY") 2003/04 through 2010/11, the Special Tax obligation was met with the Tax Increment generated by CFD No. 87-1 as per the Agency Towngate Agreement. As of the date of this report, there are no outstanding Special Tax delinquencies for FY 2009/10 or prior years.

F. FORECLOSURE ACTIONS

There are no delinquent parcels, foreclosure actions or foreclosure sales pending in the District. In the event of any delinquencies, the District has covenanted for the benefit of the owners of the Bonds that it shall commence and diligently pursue judicial foreclosure proceedings against parcels with delinquent Special Taxes in excess of \$1,000 by December 1 following the close of the FY in which such Special Taxes were due. Additionally, the District shall commence and diligently pursue judicial foreclosure proceedings against all parcels with delinquent Special Taxes by December 1 following the close of any FY in which it receives Special Taxes in an amount that is less than 90% of the total Special Tax levied for the FY.

G. PROPERTY OWNERS

A listing of the District's Property Owners is set forth in Appendix B of this report.

H. DEVELOPMENT RESTRICTIONS

As of the date of this report, there have been no significant amendments to land use entitlements for property in the District nor significant legislative, administrative, or judicial challenges to the construction of the development in the District or to the use of any parcels know to the Agency's Chief Financial Officer or Redevelopment Manager.

I. DEVELOPMENT STATUS

The following table sets forth a summary of the building permits (BP) and certificates of occupancy (COO) issued on parcels subject to the Special Taxes for the period of July 1, 2009 through July 1, 2010.

Table 5: Development Status

APN ¹	BP or COO	Date Issued	Project Desc.	
291-110-032	COO	07/29/2009	It's a Party	4,000 sq. ft. Retail (Suite 2000)
291-110-032	COO	08/03/2009	The Snack Shop	581 sq. ft. Restaurant (Suite 1210)
291-110-032	COO	08/17/2009	House of Beauty	657 sq. ft. Service (Space 1108)
291-110-032	COO	10/05/2009	M Tel Wireless, Inc.	1,540 sq. ft. Retail/Service (Space 1000)
291-110-032	COO	10/08/2009	Photos Onsite	1,501 sq. ft. Service (Suite 1090)
291-590-022	COO	10/12/2009	Nutrition Zone	1,239 sq. ft. Retail (Suite C-2)
291-110-032	COO	10/12/2009	Angelababy Shoes & Accessories	3,473 sq. ft. Retail (Space 1027)
291-570-001	COO	10/27/2009	The Pizza Kiln	961 sq. ft. Restaurant (Suite W-4)
291-110-032	COO	11/04/2009	Sacred Smoke and Glass	1,200 sq. ft. Retail (Suite 1117)
291-110-032	COO	11/09/2009	Cap World Embroidery Shop	900 sq. ft. Retail (Suite 2226)
291-590-018	COO	12/17/2009	99 Cent Store	17,993 sq. ft. Retail (Suite E-2)
291-110-032	COO	01/05/2010	Harmony Massage	1,548 sq. ft. Service (Suite 2060)
291-570-001	COO	01/06/2010	Burlington Coat Factory ²	77,018 sq. ft. Retail (Suite A)
291-570-018	COO	02/02/2010	AP Computers	1,000 sq. ft. Retail/Service (Suite F-11)
291-110-032	COO	02/09/2010	Fusion Etc. Clothing	851 sq. ft. Retail (Suite 2163)
291-110-032	COO	03/25/2010	1Brightersmile 4U ²	1,426 sq. ft. Service (Suite 1102)
291-110-032	COO	03/25/2010	Beijing Express ²	939 sq. ft. Restaurant (Suite 2151)
291-110-032	COO	04/13/2010	One Dollar Book Store	3,329 sq. ft. Retail (Suite 2169)
291-110-032	COO	04/15/2010	Diamond Wireless	850 sq. ft. Retail (Suite 2117)
291-110-032	COO	04/20/2010	Ashika Shoes	1,500 sq. ft. Retail (Suite 1123)
291-110-032	COO	04/27/2010	Hope Diamonds & Co.	1,008 sq. ft. Retail (Suite 1063)
291-110-032	COO	04/29/2010	Fashion Island Jewelers	1,426 sq. ft. Retail (Suite 2114)
291-110-032	COO	05/04/2010	Albertos Mexican Food	684 sq. ft. Restaurant (Suite 2142)
291-570-001	COO	05/06/2010	Moreno Valley Jewelry Exchange	1,100 sq. ft. Retail (Suite W-1)
291-110-032	COO	05/17/2010	The Fruity Bar	684 sq. ft. Restaurant (Space 2161)
291-110-032	COO	05/20/2010	Banned ²	2,500 sq. ft. Retail (Space 2040)
291-570-026	COO	06/29/2010	City of M. V. Employment Resource Cntr. ²	1,455 sq. ft. Office/Non-profit (Suite K-3 & K-4)

Notes:

¹ 291-110-032 is the Mall's Main Area, which includes the smaller (non-anchor) shops.

² Commercial businesses that have undergone tenant improvements.

J. SIGNIFICANT EVENTS

The City is currently unaware of any of the following material events pertaining to the Bonds, unless noted below.

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
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 or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes

Rating Changes:

A notice of material event was filed with EMMA on March 16, 2011, with respect to Ambac Assurance Corporation (Insurer), the insurer of the Bonds. Standard & Poor's (S&P) Rating Services has withdrawn the rating for the Insurer, which now reflects an "NR" rating. Additional information regarding the change in rating may be obtained through S&P or through EMMA at www.emma.msrb.org.

Appendix A: Debt Service Requirement

**CITY OF MORENO VALLEY
COMMUNITY FACILITIES DISTRICT NO. 87-1 (TOWNGATE)
2007 SPECIAL TAX REFUNDING BONDS**

Dated Date	29-Nov-07	Last Maturity	01-Dec-21
Issue Date	29-Nov-07	First Coupon	01-Jun-08
First Maturity	01-Dec-08		

Date	Principal Due	Interest Rate	Interest Due	Total Debt Service	Annual Debt Service	Principal Remaining
01-Jun-08			\$ 226,176.08	\$ 226,176.08	-	\$ 10,665,000
01-Dec-08	\$ 575,000	4.000%	223,690.63	798,690.63	\$ 1,024,866.71	10,090,000
01-Jun-09			212,190.63	212,190.63	-	10,090,000
01-Dec-09	600,000	5.000%	212,190.63	812,190.63	1,024,381.26	9,490,000
01-Jun-10			197,190.63	197,190.63	-	9,490,000
01-Dec-10	630,000	3.750%	197,190.63	827,190.63	1,024,381.26	8,860,000
01-Jun-11			185,378.13	185,378.13	-	8,860,000
01-Dec-11	655,000	3.500%	185,378.13	840,378.13	1,025,756.26	8,205,000
01-Jun-12			173,915.63	173,915.63	-	8,205,000
01-Dec-12	680,000	3.500%	173,915.63	853,915.63	1,027,831.26	7,525,000
01-Jun-13			162,015.63	162,015.63	-	7,525,000
01-Dec-13	700,000	3.750%	162,015.63	862,015.63	1,024,031.26	6,825,000
01-Jun-14			148,890.63	148,890.63	-	6,825,000
01-Dec-14	730,000	4.000%	148,890.63	878,890.63	1,027,781.26	6,095,000
01-Jun-15			134,290.63	134,290.63	-	6,095,000
01-Dec-15	760,000	4.000%	134,290.63	894,290.63	1,028,581.26	5,335,000
01-Jun-16			119,090.63	119,090.63	-	5,335,000
01-Dec-16	790,000	5.000%	119,090.63	909,090.63	1,028,181.26	4,545,000
01-Jun-17			99,340.63	99,340.63	-	4,545,000
01-Dec-17	830,000	5.000%	99,340.63	929,340.63	1,028,681.26	3,715,000
01-Jun-18			78,590.63	78,590.63	-	3,715,000
01-Dec-18	870,000	3.875% / 5.000%	78,590.63	948,590.63	1,027,181.26	2,845,000
01-Jun-19			57,515.63	57,515.63	-	2,845,000
01-Dec-19	910,000	4.000%	57,515.63	967,515.63	1,025,031.26	1,935,000
01-Jun-20			39,315.63	39,315.63	-	1,935,000
01-Dec-20	950,000	4.000%	39,315.63	989,315.63	1,028,631.26	985,000
01-Jun-21			20,315.63	20,315.63	-	985,000
01-Dec-21	985,000	4.125%	20,315.63	1,005,315.63	1,025,631.26	-
Total	\$ 10,665,000		\$ 3,705,948.09	\$ 14,370,948.09	\$ 14,370,948.09	

Appendix B: Property Owners

Table 6: Property Owners

Assessor's Parcel Number	Property Owner	Development Status	2010/11 Assessed Land Value	2010/11 Assessed Structure Value	2010/11 Unsecured Value	Total 2010/11 Assessed Value	2010/11 Maximum Special Tax
291-110-017	Stonegate 552	Developed	\$ 13,966,820	\$ 64,845,950	\$ -	\$ 78,812,770	\$ 300,035
291-110-032	Homart Newco Two Inc	Developed	11,126,100	22,095,700	-	33,221,800	357,535
291-110-033	GGP Moreno Valley Inc	Developed	4,003,230	9,215,510	-	13,218,740	85,445
291-110-034	El Corte Ingles	Developed	3,971,000	6,029,000	-	10,000,000	110,170
291-110-035	Sears Roebuck & Co	Developed	4,319,465	8,098,997	20,557	12,439,019	120,865
291-110-036	JC Penny Prop Inc	Developed	4,192,000	6,179,000	-	10,371,000	116,495
291-110-037	Macy's Calif Inc	Developed	4,751,413	8,746,918	-	13,498,331	131,215
291-110-039	Costco Wholesale Corp	Developed	5,372,419	8,976,328	1,720,655	16,069,402	145,935
291-110-040	Neal T Baker Enterprises	Developed	780,377	595,918	-	1,376,295	9,085
291-110-041	CFT Dev	Developed	854,711	717,497	-	1,572,208	9,085
291-570-001	TSC	Developed	70,411	660,313	-	730,724	7,015
291-570-002	TSC	Developed	317,007	1,806,860	-	2,123,867	27,830
291-570-003	TSC	Developed	240,123	3,362,298	-	3,602,422	23,920
291-570-005	TSC	Developed	57,624	718,946	-	776,569	4,600
291-570-006	TSC	Developed	93,188	817,975	-	911,163	7,935
291-570-007	TSC	Developed	265,528	1,643,388	-	1,908,916	26,450
291-570-008	TSC	Developed	162,773	2,237,526	-	2,400,299	16,215
291-570-010	TSC	Developed	448,300	3,761,897	-	4,210,197	37,950
291-570-011	Red Robin International Inc	Developed	64,340	1,035,370	324,143	1,423,853	7,360
291-570-013	Harold Beral	Undeveloped*	217,917	-	-	217,917	8,740
291-570-014	Harold Beral	Developed	274,439	1,600,615	-	1,875,054	9,775
291-570-015	Harold Beral	Undeveloped*	71,755	-	-	71,755	2,875
291-570-016	Harold Beral	Undeveloped*	602,281	-	-	602,281	24,150
291-570-017	TSC	Developed	155,365	986,367	-	1,141,732	9,200
291-570-018	TSC	Developed	105,044	1,577,070	-	1,682,114	10,465
291-570-019	TSC	Developed	72,879	432,996	-	505,875	3,910
291-570-020	TSC	Developed	68,960	556,715	-	625,675	5,635
291-570-021	TSC	Developed	116,182	1,010,507	-	1,126,689	9,200
291-570-022	TSC	Developed	408,330	3,557,532	-	3,965,862	53,935
291-570-024	TSC	Developed	341,356	1,768,209	-	2,109,565	34,040
291-570-026	TSC	Developed	103,160	1,074,508	-	1,177,668	10,350
291-570-027	TSC	Developed	442,383	3,241,010	-	3,683,393	39,100
291-570-028	Harold Beral	Developed	362,154	1,712,144	-	2,074,298	13,570
291-570-029	Harold Beral	Undeveloped*	381,150	86,176	-	467,326	14,375
291-570-030	Harold Beral	Developed	261,783	1,237,093	-	1,498,876	9,545
291-570-031	Harold Beral	Developed	378,562	1,201,545	-	1,580,107	12,650
291-570-032	Harold Beral	Developed	220,283	1,162,304	-	1,382,587	7,360
291-570-033	Harold Beral	Developed	726,189	1,841,496	-	2,567,685	24,265
291-570-034	Harold Beral	Developed	316,676	1,065,918	-	1,382,594	10,580
291-570-035	Harold Beral	Developed	559,071	1,777,516	-	2,336,587	26,910
291-570-036	Inland Western MDS Portfolio	Developed	2,624,367	2,000,633	-	4,625,000	76,820
291-590-011	State of CA Dept. of Trans.	NA	-	-	-	-	Exempt
291-590-012	State of CA Dept. of Trans.	NA	-	-	-	-	Exempt
291-590-014	State of CA Dept. of Trans.	NA	-	-	-	-	Exempt
291-590-018	Circuit City - W. Coast Inc	Developed	1,000,000	1,250,000	-	2,250,000	40,595
291-590-021	Gateway Co	Developed	51,024	1,346,052	-	1,397,076	17,480
291-590-022	Gateway Co	Developed	27,861	1,917,535	-	1,945,396	9,545
291-590-023	Lowes HIW, Inc.	Developed	7,839,877	6,236,359	2,601,547	16,677,783	164,335
291-590-024	State of CA Dept. of Trans.	NA	4,585	-	-	4,585	Exempt
291-590-025	Gateway Co	Developed	4,907	121,118	-	126,025	10,925
291-590-033	Gateway Co	Developed	46,514	4,202,184	-	4,248,698	20,355
291-590-034	Gateway Co	Developed	73,028	4,464,534	-	4,537,562	40,595
291-590-035	Gateway Co	Undeveloped*	5,769	41,975	-	47,744	11,730
291-590-036	State of CA Dept. of Trans.	NA	10,040	-	-	10,040	Exempt
291-590-037	Playland Center Inc	Developed	766,035	2,047,324	-	2,813,359	8,970
291-650-001	Gateway Co	Developed	277,444	2,899,994	-	3,177,438	17,250
291-650-002	Winco Foods	Developed	4,552,378	3,231,818	1,413,246	9,197,442	125,810
291-650-003	Gateway Co	Undeveloped*	30,950	49,237	-	80,187	10,810
291-650-004	Gateway Co	Undeveloped	64,538	20,790	-	85,328	22,540
291-650-005	Gateway Co	Undeveloped	64,211	53,456	-	117,667	22,425
291-650-006	Gateway Co	Undeveloped	62,562	72,765	-	135,327	21,850
291-650-007	Gateway Co	Undeveloped*	51,366	143,902	-	195,268	17,940
291-650-008	Gateway Co	Undeveloped*	65,198	43,153	-	108,351	22,770
291-650-009	Gateway Co	Undeveloped*	68,160	102,689	-	170,849	23,805
291-650-010	Gateway Co	Undeveloped*	45,440	114,296	-	159,736	15,870
291-650-011	Gateway Co	Undeveloped*	35,231	81,715	-	116,946	12,305
291-650-012	Gateway Co	Undeveloped*	43,793	94,018	-	137,811	15,295
291-650-017	City of Moreno Valley	NA	-	-	-	-	Exempt

Continued on next page.

Assessor's Parcel Number	Property Owner	Development Status	2010/11 Assessed Land Value	2010/11 Assessed Structure Value	2010/11 Unsecured Value	Total 2010/11 Assessed Value	2010/11 Maximum Special Tax
291-660-001	Gateway Co	Developed	24,193	2,330,159	-	2,354,352	13,225
291-660-002	Gateway Co	Developed	1,020,578	1,903,343	-	2,923,921	14,145
291-660-003	Campus Partners LP	Developed	1,200,372	555,357	-	1,755,729	12,995
291-660-004	Gala Dev Co	Undeveloped*	926,653	90,927	-	1,017,580	12,995
291-660-005	Gateway Co	Undeveloped*	29,451	148,716	-	178,167	16,100
291-660-006	Gateway Co	Undeveloped*	25,034	76,198	-	101,232	13,685
291-660-007	Gateway Co	Undeveloped*	42,706	161,941	-	204,647	23,345
291-660-008	Gateway Co	Undeveloped*	24,186	99,038	-	123,224	13,225
291-660-009	Gateway Co	Undeveloped*	4,378	76,286	-	80,664	9,660
291-660-010	Gateway Co	Undeveloped*	13,139	203,431	-	216,570	28,980
291-660-021	Palmetto Hospitality of MV	Developed	1,500,000	7,000,000	-	8,500,000	27,715
291-660-022	Gateway Co	Undeveloped*	7,938	44,165	-	52,103	17,480
291-660-023	Ayres Moreno Valley	Developed	2,303,643	4,425,000	-	6,728,643	32,085
Total			\$ 86,180,297	\$ 225,085,220	\$ 6,080,148	\$ 317,345,665	\$ 2,851,425

* Denotes APNs which are Undeveloped, but have constructed certain parcel improvements.
Source: Property Owners/Assessed Values - Riverside County Secured Property Tax Roll.

The City has been notified that General Growth Properties\Homart Newco Two Inc., (GGP), owner of APNs 291-110-032 and 291-110-033, has emerged from Chapter 11 debt restructuring. Following the restructuring, C.W. Capital, a subsidiary of Boston based C.W. Financial Services, acquired the property formerly owned by GGP. Additional information regarding the debt restructuring or the acquisition of the property may be acquired through either GGP or C.W. Capital.

Appendix C: District Map

