STANDARD & POOR'S

PUBLIC FINANCE

Rocklin Redevelopment Agency, California

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Credit Profile		
US$15.9 mil tax alloc bnds (Rocklin Redev Proj) ser 2007 due 09/01/2007-2037		
Long Term Rating	A-/Stable	New
Rocklin Redev Agy rfdg tax alloc bnds (Rocklin Redev Proj) ser 1997 Ser 2002		
Long Term Rating	A-/Stable	Upgraded
Rocklin Redev Agy Tax Alloc Bnds (Rocklin Redev Proj) (XL CAPITAL) ser 1997 ser 2002		
Unenhanced Rating	A-(SPUR)/Stable	Upgraded

Many issues are enhanced by bond insurance.

RatingsDirect Publication Date
Feb. 12, 2007

Rationale

Standard & Poor's Ratings Services raised its standard long-term rating and Standard & Poor's underlying rating (SPUR) on Rocklin Redevelopment Agency, Calif.'s tax allocation bonds one notch to 'A-' from 'BBB+' based on the agency's strong project area growth, improved property tax base volatility ratio, and strengthened additional bonds test. The outlook remains stable.

Standard & Poor's also assigned its 'A-' standard long-term rating, and stable outlook, to the agency's series 2007 tax allocation refunding bonds.

The ratings reflect the agency's:

- Relatively large 1,650-acre project area that has developed steadily as part of the regional growth out of the Sacramento, Calif. area;
- Continuing diversification of a still moderately concentrated property tax base;
- Solid 1.7x maximum annual debt service (MADS) coverage; and
- Adequate legal provisions with a 1.35x MADS additional bonds test.

A first lien on incremental property taxes derived from the agency's project area, net of statutory pass-through payments and housing set-asides, except for those used to cover a small portion of debt service, secures the bonds. Pass-through payments under agreements with

Placer County and Placer County Library District are subordinate to debt service. Officials will use bond proceeds to refund a portion of the 2002 tax allocation bonds outstanding and finance improvements within the agency's project area.

Located in downtown Rocklin, Calif., the mostly developed original project area covers 635 acres. In 1997, however, the agency annexed 1,015 acres into the total project area, which now encompasses 1,650 acres.

Project area assessed value (AV) has increased by a solid 46% since fiscal 2003, or an average of 10% annually, to $687 million in fiscal 2007. Project area AV is somewhat diverse with residential property accounting for 32% of land use while commercial and industrial properties account for 22% each. Vacant property accounts for 13% of AV. Taxpayer concentration is diminishing but remains somewhat high, especially incrementally. Currently, the 10 leading taxpayers account for 31% of incremental AV. SierraPine, the leading taxpayer, accounts for 9% of AV. By comparison, the 10 leading taxpayers accounted for 59% of incremental AV in 2001: SierraPine accounted for 27%. As of January 2007, only one pending assessment appeal was outstanding in the project area. Heritage Inn is requesting a $1.7 million reduction in its AV, or 0.2% of total AV. If successful, this would result in a minimal loss of gross tax-increment revenues of roughly $8,500 annually.

The agency's primary focus is on the Sierra College Interchange project, which agency officials expect to reconstruct and expand by the end of 2008; it will also serve as a major commercial center and include several big-box retailers. Upon completion of the new construction and assuming project area AV growth of 2% annually, management is projecting total AV to increase to $943 million in fiscal 2010, up by 37% over fiscal 2007 AV. Management also forecasts taxpayer concentration to increase slightly as new construction is added onto the tax rolls. The agency estimates the 10 leading taxpayers could represent 36% of fiscal 2010 incremental AV while concentration in SierraPine would decline to 6%.

The ratio of base-year AV to total current AV, a measure of the relative sensitivity to changes in property values, is a below-average 0.31, an improvement over 0.55 in 2001 as the project area has developed. Management forecasts the volatility ratio to decline to 0.23 in fiscal 2010 with the completion of the Sierra College Interchange project. MADS coverage on the bonds and all parity debt by fiscal 2007 pledged revenues is a sound 1.7x, which would cover the loss of the combined 10 leading taxpayers and still meet debt service requirements.

Legal provisions are adequate and include an additional bonds test that requires pledged revenues generated by the current tax roll cover at least 1.35x MADS on all existing and additional parity debt. The additional bonds test has been amended from its previous form and excludes a provision that would allow for a weaker 1.25x additional bonds test if the five leading taxpayers account for less than 20% of incremental value. The amended additional bonds test also includes a provision that excludes any revenues generated by incremental value above 10% for any single taxpayer from the pledged revenue calculation. MADS coverage of 1.35x could cover the loss of seven of the 10 leading taxpayers based on fiscal 2007 tax-increment revenues while still meeting debt service. Agency officials do not currently intend to issue additional parity debt, but they might issue Mello-Roos bonds to support additional development in the project area and along the Sierra College Interchange.

Rocklin ('AA-' ICR), with an estimated population of 50,920, is in Placer County. City residents benefit from its direct access to the Sacramento MSA. The 20-square-mile city is at the junction of Interstate 80 and State Highway 65. The city remains attractive as a bedroom community, but

residents have access to the Sacramento area's large and diverse employment base. Leading city employers include the school district, TASQ Technology, Oracle, United Natural Foods, and Sierra College. Income levels are above average: Median household and per capita effective buying income indicators are 148% and 129%, respectively, of national averages. Market value, as an indicator of wealth, is $128,000 per capita. Unemployment averaged 2.9% in 2005, which was below the nation's 5.2% rate.

Outlook

The stable outlook reflects Rocklin Redevelopment Agency's participation in the broader Sacramento MSA economy and continued solid MADS coverage that is supported by recent healthy AV growth. The stable outlook also reflects the agency's limited debt plans and the expectation that additional project area growth will not expose the property tax base to significant increases in taxpayer concentration.

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FitchRatings
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FITCH UPGRADES REDEVELOPMENT AGENCY OF ROCKLIN, CALIFORNIA TABS TO 'A-'; RATES $15.9MM TABS 'A-'

Fitch Ratings-San Francisco-09 February 2007: Fitch rates the Redevelopment Agency of the City of Rocklin, Placer County, CA's $15,900,000 2007 tax allocation bonds (Rocklin Redevelopment Project) 'A-'. Fitch also upgrades the agency's $13.2 million in outstanding parity bonds to 'A-' from 'BBB'. The bonds are scheduled to sell competitively on Feb. 28. Northcross Hill Ach is acting as the agency's financial advisor. The Rating Outlook is Stable.

The upgrade to 'A-' reflects the solid debt service coverage even under severe stress scenarios, reduced taxpayer concentration, and additional protection provided by an enhanced additional bonds test (ABT). The rating also reflects the project area's balanced land use and its established and expanding tax base, the strong growth in incremental value, and its location in a rapidly growing area along a major interstate. Prospects for continued growth, especially in retail developments to serve the new population, are very good and many projects are underway. Offsetting credit factors include above average but declining concentration of top taxpayers. Concerns about a softening in the housing market in the Sacramento region are mitigated somewhat because the project area's residential portion is in the older part of the city where assessed valuations are likely well below recent market prices.

Taxpayer concentration has declined substantially in recent years; in fiscal 2007 the 10 taxpayers account for 31% of incremental valuation compared to 40% in fiscal 2005. Meanwhile the top taxpayer represents 9% of incremental valuation in fiscal 2007, down from 14% in fiscal 2005. Reduced concentration is largely the result of recent developments and strong assessed valuation (AV) gains. AV has increased by 10% on average since fiscal 2002, and incremental assessed valuation growth averaged a strong 17% annually since fiscal 2002.

Rocklin is located approximately 20 miles northeast of Sacramento in Placer County with an estimated population of about 51,000. Until recently a bedroom community for the greater Sacramento area, the city is benefiting from the job growth in south Placer County, fueled by vacant affordable land attractive for office and retail developments. The project area was established in 1986 with a total of 635 acres in the downtown area and was later expanded to include 1,015 less-developed acres adjacent to Interstate 80, the major west-east interstate in northern California. The project now encompasses about 17% of the city and consists of a balanced mix of commercial/retail, representing 22% of (AV), industrial (23% of AV), and residential (32% of AV) land uses.

Proceeds from the bonds will refinance a portion of the outstanding 2002 tax allocation bonds and finance portions of several road projects to enable planned development to proceed. Tax increment revenue from the existing tax base, net of senior statutory payments to overlapping entities, covers maximum annual debt service (MADS) on these bonds and parity obligations a good 1.71 times (x) in fiscal 2007. Without the top 10 taxpayers, debt service coverage would decline to a still strong 1.26x MADS in fiscal 2008. The ABT is strong, requiring current revenues, less 50% of requested appeals and an adjustment for dominant taxpayers, to cover MADS 1.35x.

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