

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2017**NEW ISSUE–BOOK-ENTRY**

RATINGS: 2017 Senior Bonds (Underlying) (S&P/Fitch): “_” and “_”
 2017 Subordinate Bonds (Insured) (S&P): “_”
 2017 Subordinate Bonds (Underlying) (S&P/Fitch): “_” and “_”
 See “RATINGS”

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the 2017 Series A Senior Bonds and 2017 Series B Subordinate Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. Interest on the 2017 Series A-T Senior Taxable Bonds [and on the 2017 Series B-T Subordinate Taxable Bonds] is not intended to be exempt from federal income taxation. In the further opinion of Bond Counsel, the interest on the 2017 Bonds is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2017 Bonds. See “TAX MATTERS.”

**SUCCESSOR AGENCY
 TO THE REDEVELOPMENT AGENCY OF
 THE CITY OF SAN JOSE**

\$ _____*
**2017 SERIES A SENIOR
 TAX ALLOCATION REFUNDING BONDS**

\$ _____*
**2017 SERIES A-T SENIOR TAXABLE
 TAX ALLOCATION REFUNDING BONDS**

\$ _____*
**2017 SERIES B SUBORDINATE
 TAX ALLOCATION REFUNDING BONDS**

[\$ _____*
**2017 SERIES B-T SUBORDINATE TAXABLE
 TAX ALLOCATION REFUNDING BONDS]**

Dated: Delivery Date**Due: August 1, as shown on the inside front cover**

Purpose. The Successor Agency to the Redevelopment Agency of the City of San José (the “Successor Agency”), as successor to the Redevelopment Agency of the City of San José (the “Former Agency”), is issuing the above-captioned bonds (collectively, the “2017 Bonds”) to (i) refinance certain outstanding obligations of the Former Agency to which the Successor Agency has succeeded and (ii) pay the costs of issuing the 2017 Bonds, which may include the cost of municipal bond insurance and/or a debt service reserve insurance policy or policies for one or more series of 2017 Bonds.

Payments. Semiannual interest on the 2017 Bonds, due February 1 and August 1 of each year commencing February 1, 2018, and principal on the 2017 Bonds, due August 1 of each of the years shown on the inside front cover, will be payable by Wilmington Trust, National Association, as trustee of the 2017 Bonds (the “Trustee”), to The Depository Trust Company (“DTC”) for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2017 Bonds. See “THE 2017 BONDS.”

Security. The 2017 Bonds are payable from and secured by a pledge of certain tax increment revenues (“Tax Revenues”) from the Project Area (as defined in this Official Statement) and moneys in certain funds and accounts established under the Indenture (as defined in this Official Statement), as further described in this Official Statement. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS.”

Redemption. The 2017 Bonds are subject to redemption prior to maturity. See “THE 2017 BONDS – Redemption.”

Insurance Policy or Reserve Account Surety. The Successor Agency has applied for municipal bond insurance and municipal bond debt service reserve insurance policies for the 2017 Bonds, and will decide whether to purchase any such policies in connection with the pricing of the 2017 Bonds.

Book-Entry. The 2017 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co., as nominee of DTC, and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2017 Bonds.

Limited Obligations. The 2017 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from, certain Tax Revenues from the Project Area (defined herein) and other funds described in this Official Statement. The principal of and interest on the 2017 Bonds are not a debt of the City of San José (the “City”), the County of Santa Clara (the “County”), the State of California (the “State”) or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2017 Bonds are not payable out of any funds or properties other than those set forth in the Indenture (defined herein). Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the City Council of the City nor any persons executing the 2017 Bonds are liable personally on the 2017 Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2017 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed

investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See "BONDHOLDER RISKS." The 2017 Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Successor Agency. In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City, as general counsel to the Successor Agency. Certain legal matters will be passed on for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Underwriters' Counsel. It is anticipated that the 2017 Bonds will be available for delivery through the facilities of DTC, on or about _____, 2017.

Stifel

Morgan Stanley

Backstrom

Hilltop Securities

J.P. Morgan

Raymond James

Piper Jaffray & Co.

Siebert Cisneros
Shank & Co., L.L.C

The date of this Official Statement is _____, 2017.

** Preliminary, subject to change.*

MATURITY SCHEDULE

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

\$ _____ *

**2017 Series A Senior
Tax Allocation Refunding Bonds**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base _____)
-----------------------------	---------------------	---------------	-------	-------	------------------------------------

\$ _____ - _____ % Term Bonds due August 1, 20__; Yield: _____ %; Price: _____ %; CUSIP[†]: _____

\$ _____ *

**2017 Series A-T Senior Taxable
Tax Allocation Refunding Bonds**

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base _____)
-----------------------------	---------------------	---------------	-------	-------	------------------------------------

\$ _____ - _____ % Term Bonds due August 1, 20__; Yield: _____ %; Price: _____ %; CUSIP[†]: _____

[†] Copyright 2017, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

* Preliminary; Subject to change.

MATURITY SCHEDULE (CONTINUED)

\$ _____ *

2017 Series B Subordinate Tax Allocation Refunding Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base _____)
-----------------------------	---------------------	---------------	-------	-------	------------------------------------

\$ _____ - _____% Term Bonds due August 1, 20____; Yield: _____%; Price: _____%; CUSIP[†]: _____

[[\$ _____ *

2017 Series B-T Subordinate Taxable Tax Allocation Refunding Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP [†] (Base _____)
-----------------------------	---------------------	---------------	-------	-------	------------------------------------

\$ _____ - _____% Term Bonds due August 1, 20____; Yield: _____%; Price: _____%; CUSIP[†]: _____]]

† Copyright 2017, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

* Preliminary; Subject to change.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**

CITY COUNCIL/SUCCESSOR AGENCY BOARD

Sam Liccardo, *Chair*

District 1: Charles “Chappie” Jones, *Member*
District 2: Sergio Jimenez, *Member*
District 3: Raul Peralez, *Member*
District 4: Lan Diep, *Member*
District 5: Magdalena Carrasco, *Vice Chair*
District 6: Devora “Dev” Davis, *Member*
District 7: Tam Nguyen, *Member*
District 8: Sylvia Arenas, *Member*
District 9: Donald Rocha, *Member*
District 10: Johnny Khamis, *Member*

SUCCESSOR AGENCY STAFF

David Sykes, Executive Officer
Richard Doyle, General Counsel
Richard Keit, Managing Director
Julia H. Cooper, Chief Financial Officer

PROFESSIONAL SERVICES

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

MUNICIPAL ADVISORS

Ross Financial
San Francisco, California

Public Financial Management, Inc.
San Francisco, California

FISCAL CONSULTANT

Urban Analytics LLC
San Francisco, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

VERIFICATION AGENT

Causey, Demgen & Moore, P.C.
Denver, Colorado

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized by the Successor Agency to give any information or to make any representations with respect to the 2017 Bonds other than as contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been given or authorized by the Successor Agency or the Underwriters.

Use of this Official Statement. This Official Statement is submitted in connection with the issuance and sale of the 2017 Bonds described in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement does not constitute a contract between any owner of the 2017 Bonds and the Successor Agency or the Underwriters.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure made by the Successor Agency, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2017 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the other parties described in this Official Statement, since the date of this Official Statement.

Document Summaries. All summaries of the Indenture or other documents contained in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. All references in this Official Statement to the Indenture and such other documents are qualified in their entirety by reference to such documents, which are on file with the Successor Agency. Copies of documents referred to herein are available from the Finance Department—Debt Management, City of San José City Hall, 200 East Santa Clara Street, San José, CA 95113; Phone (408) 535-7010; or by e-mail at debt.management@sanjoseca.gov. The City may impose a charge for copying, mailing and handling.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

No Registration or Qualification. The issuance and sale of the 2017 Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions provided thereunder, for the issuance and sale of municipal securities.

Public Offering Prices. The Underwriters may offer and sell the 2017 Bonds to certain dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and the Underwriters may change those public offering prices from time to time.

Internet Web Site. The Successor Agency and the City maintain internet websites. However, the information presented on these websites is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2017 Bonds.

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OFFICIAL STATEMENT

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

\$ _____ *
2017 SERIES A SENIOR
TAX ALLOCATION REFUNDING BONDS

\$ _____ *
2017 SERIES A-T SENIOR TAXABLE
TAX ALLOCATION REFUNDING BONDS

\$ _____ *
2017 SERIES B SUBORDINATE
TAX ALLOCATION REFUNDING BONDS

[[\$ _____ *
2017 SERIES B-T SUBORDINATE TAXABLE
TAX ALLOCATION REFUNDING BONDS]]

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Redevelopment Agency of the City of San José (the “**Successor Agency**”) of its 2017 Series A Senior Tax Allocation Refunding Bonds (the “**2017A Bonds**”), 2017 Series A-T Senior Taxable Tax Allocation Refunding Bonds (the “**2017A-T Bonds**” and together with the 2017A Bonds, the “**2017 Senior Bonds**”), 2017 Series B Subordinate Tax Allocation Refunding Bonds (the “**2017B Bonds**”), and [[2017 Series B-T Subordinate Taxable Tax Allocation Refunding Bonds]] (the “**2017B-T Bonds**” and together with the 2017B Bonds, the “**2017 Subordinate Bonds**”). The 2017 Senior Bonds and the 2017 Subordinate Bonds are referred to collectively in this Official Statement as the “**2017 Bonds**.”

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement including the cover page and the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2017 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used but not defined in the main body of this Official Statement are defined in “APPENDIX D – SUMMARY OF THE INDENTURE.”

Authority and Use of Proceeds

The Successor Agency is issuing the 2017 Bonds pursuant to authority granted by the Constitution of the State of California (the “**State**”), Sections 34177.5(a)(1) and 34177.5(a)(2) of the Health and Safety Code of the State, 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**”), and an Indenture of Trust, dated as of December 1, 2017 (the “**Indenture**”), by and between the Successor Agency and Wilmington Trust, National Association, as trustee (the “**Trustee**”). See “THE 2017 BONDS – Authority for Issuance.”

The Successor Agency is issuing the 2017 Bonds to refund certain obligations of the former Redevelopment Agency of the City of San José (the “**Former Agency**”). The prior obligations to be refunded with the proceeds of the 2017 Bonds are referred to herein as the

“Refunded Obligations.” The remaining proceeds of the 2017 Bonds will also be used to pay the costs of issuing the 2017 Bonds, which may include the cost of municipal bond insurance and/or a debt service reserve insurance policy or policies for one or more series of 2017 Bonds. See “THE REFUNDING PLAN.”

The City, the Former Agency and the Successor Agency

The City. Established in 1777, the City of San José (the “**City**”) is the oldest city in the State. The City is the tenth largest city in the United States and the third largest city in the State, and has an estimated population of 1,046,079, according to the State Department of Finance (the “**DOF**”) as of January 1, 2017. The territory of the City encompasses approximately 180 square miles. Located at the southern end of the San Francisco Bay, the City is the county seat of the County of Santa Clara (the “**County**”). From a former rich agricultural setting, the City has become the capital of the innovative, high-technology based Silicon Valley - so named for the principal material used in producing semiconductors. For additional demographic and economic information on the City, see “APPENDIX B – THE CITY OF SAN JOSE: DEMOGRAPHIC AND ECONOMIC INFORMATION.”

The Former Agency. The Successor Agency is the successor entity to the Former Agency, which was dissolved under the Dissolution Act (described below). The Former Agency was a redevelopment agency with all of the powers vested in such entities under the California Community Redevelopment Law (the “**Redevelopment Law**”). The City Council of the City (the “**City Council**”) was the legislative body of the Former Agency and is the governing board of the Successor Agency. The Former Agency was activated by the City Council in October 1956, upon the determination by the City Council that there was a need for redeveloping portions of the City. On January 14, 1975, the City Council replaced an appointed governing board and declared itself to be the board of the Former Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 (“**AB X1 26**”) was enacted, together with a companion bill, Assembly Bill No. 27 (“**AB X1 27**”). The provisions of AB X1 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB X1 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. 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. 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.

The primary provisions enacted by AB X1 26 relating to the dissolution and wind down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the California 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 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 and the Dissolution Act are sometimes referred to collectively in this Official Statement as the “**Law**.”

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City made an election to act as the successor agency to the Former Agency. Under the Dissolution Act, successor agencies are to expeditiously wind-down the affairs of the former redevelopment agencies. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City. The City Council of the City serves as the governing board of the Successor Agency.

The Merged Area Redevelopment Project

The Merged Area Redevelopment Project was formed in 1981 from the merger of existing redevelopment project areas. Other redevelopment project areas were subsequently established and added to the Merged Area Redevelopment Project. In total, 17 of the component project areas are authorized to generate tax increment revenue; these 17 project areas are referred to in this Official Statement collectively as the “**Project Area**.”

The Project Area is composed of approximately 8,169 acres. For Fiscal Year 2017-18, the Project Area has a total assessed valuation of approximately \$29.6 billion and incremental valuation of approximately \$28.4 billion. The Fiscal Year 2017-18 assessed value represents an increase of approximately \$11.6 billion, or 64%, since the recent low in Fiscal Year 2011-12 of \$18.2 billion. For more information about the Project Area, see “THE PROJECT AREA.”

In connection with the issuance of the 2017 Bonds, the Successor Agency has engaged Urban Analytics LLC, San Francisco, California (the “**Fiscal Consultant**”) to prepare a Fiscal Consultant Report. The Fiscal Consultant Report sets forth various matters affecting the Successor Agency’s receipt of tax increment revenues in the Project Area. See “APPENDIX A – REPORT OF THE FISCAL CONSULTANT”.

Security and Sources of Payment for the 2017 Bonds

2017 Senior Bonds. The 2017 Senior Bonds are secured by and payable from (i) Tax Revenues and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Senior Bonds Reserve Account, as described in this Official Statement. “**Tax Revenues**” is generally defined to mean all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated, or are available to be allocated, to the Successor Agency and that are deposited in the Redevelopment Property Tax Trust Fund (the “**Redevelopment Property Tax Trust Fund**”) for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, excluding all amounts required to be paid to taxing entities pursuant to (i) the pass-through provisions of the Law (unless such payments are subordinated to payments on the 2017 Bonds, or any additional Senior Bonds or Subordinate Bonds, as applicable) and (ii) the pension override or State Water Project override provisions of the Law. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS.”

2017 Subordinate Bonds. The 2017 Subordinate Bonds are secured by and payable from (i) Tax Revenues, subject to the prior application thereof to the payment of debt service on the 2017 Senior Bonds and any Senior Parity Debt and the replenishment of the Senior Bond Reserve Account, and (ii) amounts in certain funds and accounts held by the Trustee under the Indenture, including the Subordinate Bonds Reserve Account, as described in this Official Statement. For the definitions of Tax Revenues, Senior Bond Reserve Account, Subordinate

Bonds Reserve Account and related matters, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS.”

Redevelopment Property Tax Trust Fund. The Dissolution Act requires the County Auditor-Controller to annually determine the amount of property taxes that would have been allocated to the Former Agency from the Project Area 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 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 dissolved Former Agency, with the same lien priority and legal effect as if such 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 Schedule (sometimes referred to herein as “**ROPS**”) (see “THE DISSOLUTION ACT – Recognized Obligation Payment Schedules”).

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2017 Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Under the Dissolution Act, property tax revenues are allocated to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the “**Oversight Board**”) and the DOF. Pursuant to SB 107, the functions of the Oversight Board will be assumed by an oversight board established for all successor agencies within the County commencing on July 1, 2018. The County Auditor-Controller distributes funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See “THE DISSOLUTION ACT – Recognized Obligation Payment Schedules.”

Successor agencies have no power to levy property taxes and must rely on the allocation of Tax Revenues as described above. See “BONDHOLDER RISKS.”

Limitation on Additional Indebtedness

In the Indenture, the Successor Agency covenants that it will not encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts superior or on parity to the pledge and lien therein created for the benefit of (i) the Senior Bonds, except that the Successor Agency may issue Senior Parity Debt upon the satisfaction of the conditions specified in the Indenture, and (ii) the Subordinate Bonds superior or on parity to the pledge and lien therein created for the benefit of the Subordinate Bonds, except that the Successor Agency may issue Subordinate Parity Debt upon the satisfaction of the conditions specified in the Indenture. See “THE 2017 BONDS – Parity Debt.”

Limited Obligation

The 2017 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from Tax Revenues and other funds described in the Indenture. The principal of and interest on the 2017 Bonds are not a

debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2017 Bonds is not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the City Council nor any persons executing the 2017 Bonds are liable personally on the 2017 Bonds.

Reserve Accounts

A portion of the proceeds of the 2017 Senior Bonds will be deposited or used to pay the premium for a municipal bond debt service reserve policy in the amount of the Senior Bonds Reserve Requirement, which is generally defined to mean, as of the date of issuance of the 2017 Senior Bonds, an amount equal to the lesser of (a) 125% of the average Annual Debt Service with respect to the 2017 Senior Bonds, and (b) Maximum Annual Debt Service with respect to the 2017 Senior Bonds.

A portion of the proceeds of the 2017 Subordinate Bonds will be deposited or used to pay the premium for a municipal bond debt service reserve policy in the amount of the Subordinate Bonds Reserve Requirement, which is generally defined to mean, as of the date of issuance of the 2017 Subordinate Bonds, an amount equal to the lesser of (a) 125% of the average Annual Debt Service with respect to the 2017 Subordinate Bonds, and (b) Maximum Annual Debt Service with respect to the 2017 Subordinate Bonds.

See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Reserve Accounts.”

Application for Bond Insurance and Reserve Policies

The Successor Agency has made application for bond insurance and for municipal debt service reserve policies for one or more series of the 2017 Bonds. Should the Successor Agency select one or more bond insurers and/or municipal debt service reserve policy providers, then the Successor Agency will release such information prior to the sale of the 2017 Bonds through a supplement to this Official Statement.

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2017 Bonds, the Indenture, the Successor Agency, the Former Agency, the Redevelopment Plans, the Project Area, the City and the County are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement with respect to such matters are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2017 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

During the period of the offering of the 2017 Bonds, copies of the draft forms of all documents are available from the Finance Department—Debt Management, City of San José City Hall, 200 East Santa Clara Street, San José, CA 95113; Phone (408) 535-7010; or by e-mail at debt.management@sanjoseca.gov.

REFUNDING PLAN

Identification of Refunded Obligations

Net proceeds of the 2017 Bonds, together with other available funds, will be used to redeem and defease or prepay all of the following obligations of the Successor Agency, which are referred to collectively in this Official Statement as the Refunded Obligations. For the full names of the Refunded Obligations, see APPENDIX H.

Series/ Obligation	Original Tax Status ⁽¹⁾	Outstanding Principal Amount as of 11/1/17	Principal Refunded on Tax-Exempt Basis	Principal Refunded on Taxable Basis	Redemption Date ^{(2)*}
Fixed-Rate Non-Housing Bonds⁽³⁾					
1997	TE	\$3,605,000	\$0	\$3,605,000	1/8/18
1999	TE	12,900,000	0	12,900,000	1/8/18
2003	TE	123,955,000	106,360,000	17,595,000	1/8/18
2004A	TE	46,895,000	0	46,895,000	1/8/18
2005A	TE	83,185,000	0	83,185,000	1/8/18
2006A-T	TX	13,300,000	0	13,300,000	1/8/18
2006B	TE	67,000,000	60,775,000	6,225,000	1/8/18
2006C	TE	422,430,000	0	422,430,000	1/8/18
2006D	TE	258,495,000	0	258,495,000	1/8/18
2007B	TE	191,600,000	169,625,000	21,975,000	1/8/18
2008A	TE	4,600,000	4,595,000	5,000	8/1/18
2008B	TE	80,145,000	59,250,000	20,895,000	8/1/18
Total		\$1,308,110,000	\$400,605,000	\$907,505,000	
Fixed-Rate Housing Bonds⁽⁴⁾					
1997E	TE (AMT)	\$14,625,000	\$0	\$14,625,000	1/22/17
2003J	TX	19,390,000	0	19,390,000	1/8/18
2003K	TE	4,395,000	0	4,395,000	1/8/18
2005A	TE	10,445,000	0	10,445,000	1/8/18
2005B	TX	89,000,000	0	89,000,000	1/8/18
2010A-1 ⁽⁵⁾	TE (AMT)	52,820,000	0	52,820,000	8/1/20
Total		\$190,675,000	\$0	\$190,675,000	
Variable Rate Bonds⁽⁶⁾					
1996A	TE	\$15,125,000	\$0	\$15,125,000	12/21/17
1996B	TE	15,125,000	0	15,125,000	12/21/17
2003A	TX	9,240,000	0	9,240,000	12/21/17
2003B	TE	15,000,000	15,000,000	0	12/21/17
2010C	TX	71,625,000	0	71,625,000	12/21/17
Total		\$126,115,000	\$15,000,000	\$111,115,000	
Other Obligations (related to City of San José Financing Authority Bonds)					
2001A ⁽⁷⁾	TE	\$23,930,000	\$0	\$23,930,000	1/8/18
2001F ⁽⁸⁾	TE	67,085,000	0	67,085,000	1/8/18
Total		\$91,015,000	\$0	\$91,015,000	
Grand Total		\$1,715,915,000	\$415,605,000	\$1,300,310,000	

(1) "TE" means federally tax-exempt; "TX" means federally taxable; and "TE (AMT)" means AMT (alternative minimum tax) bonds under the Tax Code (defined herein).

(2) Represents a maturity date or redemption date. Each series with an optional redemption provision is callable at par.

(3) Base CUSIP† Number: 798147.

(4) Base CUSIP† Number: 798147.

(5) The optional redemption date for Series 2010A-1 is August 1, 2020. Series 2010A-1 maturities in 2018, 2019, and 2020 will be escrowed to maturity, while the remaining maturities will be redeemed at par from escrowed funds on August 1, 2020.

(6) Base CUSIP† Number: 798171.

(7) Base CUSIP† Number: 798154.

(8) Base CUSIP† Number: 798153.

* Preliminary; subject to change.

† Copyright 2017, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

The Successor Agency is refunding all or a portion of certain of the Refunded Obligations that were issued on a tax-exempt basis on a taxable basis with the proceeds of the 2017A-T Bonds. Refunding these Refunded Obligations on a taxable basis will remove certain limitations of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”), relating to (i) the operation of certain property financed with the proceeds of such Refunded Obligations and (ii) the disposition of sale and other proceeds relating to certain property financed with the proceeds of such Refunded Obligations.

As noted below under the caption “THE SUCCESSOR AGENCY – Status of Compliance with the Dissolution Act,” the Successor Agency is winding down its activities in part by selling the Successor Agency’s remaining real property and anticipates these sales to be completed by the end of Fiscal Year 2017-18. Under the Dissolution Act, the proceeds from the sale of such property and certain other amounts received by the Successor Agency, unless otherwise restricted by limitations of the Tax Code, are required to be deposited in the Redevelopment Property Tax Trust Fund and distributed to the various taxing entities. Refunding certain of the Refundable Obligations on a taxable basis will allow the Successor Agency to more easily comply with the Tax Code and the Dissolution Act.

Defeasance or Repayment of Refunded Obligations

A portion of net proceeds of the 2017 Bonds will be transferred from the Trustee to each of MUFG Union Bank, N.A., Wells Fargo Bank, N.A. and/or U.S. Bank National Association, as prior trustee or escrow agent (each, an “**Escrow Holder**”) for deposit, together with other available funds, in irrevocable escrow funds (collectively, the “**Escrow Funds**”) and application pursuant to an escrow agreement or irrevocable refunding instructions, as applicable to defease and payoff Refunded Obligations. Pursuant to the escrow agreements and irrevocable refunding instructions (each, a “**Refunding Agreement**”), the applicable Escrow Holder will hold the funds transferred to it and administer such funds in accordance with the applicable Refunding Agreement.

The amounts held by each Escrow Holder are pledged solely to the amounts due and payable by the Successor Agency under the applicable Refunded Obligation to be refunded thereby. The funds deposited in the Escrow Funds pursuant to the Refunding Agreements will not be available for the payment of debt service with respect to the 2017 Bonds.

Verification of Mathematical Accuracy

Causey, Demgen & Moore, P.C., Denver, Colorado (the “**Verification Agent**”), upon delivery of the 2017 Bonds, will deliver a report on the mathematical accuracy of certain computations, contained in schedules provided to them which were prepared by or for the Successor Agency, relating to (1) the sufficiency of the anticipated receipts from the amounts deposited with each of the Escrow Holders to pay, when due, the principal, interest and prepayment premium requirements, if any, of the applicable Refunded Obligations, and (2) the yield on the 2017A Bonds, 2017B Bonds, and federal securities to be deposited with the Escrow Holders.

The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds related to the 2017 Bonds are summarized below.

	2017 Senior Bonds		2017 Subordinate Bonds		
	2017A Bonds	2017A-T Bonds	2017B Bonds	[2017B-T Bonds]	Total
Sources:					
Principal Amount					
Plus/Less: [Net] Original Issue					
Premium/Discount					
Plus: Funds on hand from					
Refunded Obligations					
Total Sources					
Uses:					
Refunding of Refunded					
Obligations					
Underwriters' Discount					
Other Costs of Issuance ⁽¹⁾					
Total Uses					

- (1) Other Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Fiscal Consultant, Municipal Advisors, Trustee, printing expenses, rating fees, premiums for reserve surety and bond insurance (if applicable), payment of arbitrage rebate liability, and other costs related to the issuance of the 2017 Bonds.

Debt Service Schedule

The following table shows the debt service schedule for the 2017 Senior Bonds, 2017 Subordinate Bonds, and 2017 Bonds in total, in each case, assuming no optional redemption thereof prior to their stated maturities.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Debt Service Schedule – 2017 Senior Bonds and 2017 Subordinate Bonds**

Year Ending (August 1)	2017A Bonds		2017A-T Bonds		Total 2017 Senior Bonds <u>Debt Service</u>	2017B Bonds [and 2017B-T Bonds]		Total 2017 Subordinate Bonds <u>Debt Service</u>	Total 2017 Bonds <u>Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>		
2018									
2019									
2020									
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
2036									
Total									

Other Successor Agency Obligations

The Refunded Obligations comprise all of the Successor Agency's currently outstanding bonded indebtedness. The Successor Agency intends to refund all such obligations through the issuance of the 2017 Bonds.

The Successor Agency has other non-bonded obligations that are payable from Tax Revenues on a basis that is subordinate to the payment of debt service on the 2017 Bonds, including statutory pass-through payments, and amounts payable to the County, the City, certain loans, and a variety of third party contractual counterparties. Not all of these subordinate obligations are described in this Official Statement.

THE 2017 BONDS

Authority for Issuance

The issuance of the 2017 Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. 7601 adopted on May 16, 2017, and approved by the Oversight Board for the Successor Agency pursuant to Resolution No. 2017-05-1146 adopted on May 18, 2017 (the "**Oversight Board Resolution**").

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF. On July 21, 2017, the DOF provided a letter to the Successor Agency stating that, based on the DOF's review and application of the law, the Oversight Board Resolution approving the 2017 Bonds is approved by DOF. Section 34177.5(f) of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedules and are not subject to further review and approval by the DOF or the California State Controller.

The Authority is issuing the 2017 Bonds pursuant to the provisions of Section 34177.5(a)(1) (for debt service savings) and 34177.5(a)(2) (to eliminate debt service spikes) of the Dissolution Act.

Section 34177.5(a)(1) authorizes the issuance of refunding bonds to provide debt service savings, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance.

Section 34177.5(a)(2) authorizes the issuance of refunding bonds to finance debt service spikes, including balloon maturities, provided that (i) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (ii) the principal amount of the bonds does not exceed the amount required to finance the debt service spikes, including establishing customary debt service reserves and paying related costs of issuance.

Bond Terms

The 2017 Bonds will be issued and delivered in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company (“**DTC**”), as registered owner of all 2017 Bonds. The initially executed and delivered 2017 Bonds will be dated the date of delivery (the “**Closing Date**”) and mature on August 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2017 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 in each year (each an, “**Interest Payment Date**”), commencing February 1, 2018, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of 2017 Bonds, by wire transfer to an account in the United States which will be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the applicable Interest Payment Date. “**Record Date**” as defined in the Indenture means, with respect to any Interest Payment Date, the close of business on the 15th calendar day of the month preceding such Interest Payment Date, whether or not such 15th day is a Business Day.

One fully-registered bond will be issued for each maturity of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See “APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption*

Optional Redemption.

2017A Bonds. The 2017A Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The 2017A Bonds maturing on and after August 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

2017A-T Bonds. [The 2017A-T Bonds are not subject to optional redemption prior to maturity.] [or]

[The 2017A-T Bonds maturing on and after August 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017A-T Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.]

* Preliminary; subject to change.

[Prior to August 1, 20__, the 2017A-T Bonds are subject to redemption at the option of the Successor Agency at any time in whole or in part, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the 2017A-T Bonds to be redeemed; or

(ii) the sum of the present value of the remaining scheduled payments of principal and interest to the stated maturity date of such 2017A-T Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such 2017A-T Bonds are to be redeemed, discounted to the date on which such 2017A-T Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus [] basis points, plus, in each case, accrued interest on such 2017A-T Bonds to be redeemed to but not including the redemption date.

“Treasury Rate” means, with respect to any redemption date (i) the yield to maturity as of such redemption date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519)) that has become publicly available as of the most recent date that is at least two business days, but not more than 45 calendar days, prior to the redemption date (excluding inflation indexed securities) or, if such Statistical Release is no longer published, any publicly available source of similar market data reasonably selected by the Trustee, most nearly equal to the period from the redemption date to the maturity date of such 2017A-T Bonds [(taking into account any mandatory sinking account redemption for such 2017A-T Bonds)] or (ii) if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year.]

2017B Bonds. The 2017B Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The 2017B Bonds maturing on and after August 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017B Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

2017B-T Bonds. The 2017B-T Bonds maturing on or before August 1, 20__ are not subject to optional redemption prior to maturity. The 2017B-T Bonds maturing on and after August 1, 20__, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017B-T Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption.

2017A Bonds. The 2017A Bonds maturing on August 1, 20__ and August 1, 20__ (the "2017A Term Bonds") shall be subject to mandatory redemption in whole, or in part by lot, on August 1 in each year, commencing August 1, 20__, and August 1, 20__, respectively, as set forth below, from sinking account payments made by the Successor Agency to the Senior Bonds Sinking Account under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following tables; provided however, that (x) in lieu of redemption thereof such 2017A Term Bonds may be purchased by the Successor Agency pursuant to the Indenture as described below, and (y) if some but not all of such 2017A Term Bonds have been optionally redeemed, the total amount of all future sinking account payments shall be reduced by the aggregate principal amount of such 2017A Term Bonds so redeemed, to be allocated among such sinking account payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2017A Term Bond of 20__

<u>August 1</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	
20__ (Maturity)	

2017A Term Bond of 20__

<u>August 1</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	
20__ (Maturity)	

2017A-T Bonds. The 2017A-T Bonds maturing on August 1, 20__ and August 1, 20__ (the "2017A-T Term Bonds") shall be subject to mandatory redemption in whole, or in part by lot, on August 1 in each year, commencing August 1, 20__, and August 1, 20__, respectively, as set forth below, from sinking account payments made by the Successor Agency to the Senior Bonds Sinking Account under the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following tables; provided however, that (x) in lieu of redemption thereof such 2017A-T Term Bonds may be purchased by the Successor Agency pursuant to the Indenture as described below, and (y) if some but not all of such 2017A-T Term Bonds have been optionally redeemed, the total amount of all future sinking account payments shall be reduced by the aggregate principal amount of such 2017A-T Term Bonds so redeemed, to be allocated among such sinking account payments in integral multiples of \$5,000 as determined by the Successor Agency (notice of which determination shall be given by the Successor Agency to the Trustee).

2017A-T Term Bond of 20

<u>August 1</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	
20__ (Maturity)	

2017A-T Term Bond of 20

<u>August 1</u>	<u>Principal Amount</u>
20__	\$
20__	
20__	
20__	
20__ (Maturity)	

Notice of Redemption. The Trustee on behalf and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 20 (or, if required by the Depository, at least 30) but not more than 60 days prior to the redemption date, to (i) to the Owners of any 2017A Bonds, any 2017A-T Bonds and any 2017B Bonds (such bonds, "**Redeemable Bonds**") designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such Redeemable Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Redeemable Bonds to be redeemed, shall state the individual number of each Redeemable Bond to be redeemed or shall state that all Redeemable Bonds between two stated numbers (both inclusive) or all of the Redeemable Bonds Outstanding are to be redeemed, and shall require that such Redeemable Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Redeemable Bonds will not accrue from and after the redemption date.

Upon the payment of the redemption price of Redeemable Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Redeemable Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption. In the event only a portion of any Redeemable Bond is called for redemption, then upon surrender of such Redeemable Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Redeemable Bond or Redeemable Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Redeemable Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Redeemable Bonds so called for redemption shall have been duly deposited with the Trustee, such Redeemable Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any Redeemable Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent Redeemable Bonds are no longer held in book-entry form. In the event of redemption by lot of Redeemable Bonds, the Trustee shall assign to each Redeemable Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Redeemable Bonds to be redeemed shall be the Redeemable Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Redeemable Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All Redeemable Bonds redeemed or purchased pursuant to the Indenture shall be cancelled and destroyed.

[Notwithstanding the foregoing, in the event of a redemption of the 2017A-T Bonds in part, the following provisions shall apply.

If the 2017A-T Bonds are registered in book-entry only form and so long as the Depository is the sole registered owner of such 2017A-T Bonds, if less than all of the 2017A-T Bonds of a maturity are called for prior redemption, the particular 2017A-T Bonds or portions thereof to be redeemed shall be allocated on a pro rata pass-through distribution of principal basis in accordance with the procedures of the Depository, provided that, so long as the 2017A-T Bonds are held in book-entry form, the selection for redemption of such 2017A-T Bonds shall be made in accordance with the operational arrangements of the Depository then in effect, and, if the Depository's operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, the 2017A-T Bonds will be selected for redemption, in accordance with the Depository's procedures, by lot.

The Successor Agency intends that redemption allocations made by the Depository be made on a pro rata pass-through distribution of principal basis as described above. However, neither the Successor Agency nor the Trustee assumes any liability in the event that the Depository, any Depository System Participant or any other intermediary allocates the redemption of 2017A-T Bonds on other than such basis.

In connection with any repayment of principal, including payments of scheduled mandatory sinking account payments, the Trustee will direct the Depository to make a pass-through distribution of principal to the Owners of the 2017A-T Bonds. [A Pro Rata Pass-Through Distribution of Principal table is included as APPENDIX I to this Official Statement and reflects the schedule of mandatory sinking account redemptions applicable to the 2017A-T Bonds and the factors applicable to such redemption amounts and remaining bond balances, which is subject to change upon certain optional redemptions.

For purposes of calculation of the "pro rata pass-through distribution of principal," "pro rata" means, for any amount of principal to be paid, the application of a fraction to each denomination of the respective 2017A-T Bonds where (a) the numerator of which is equal to the

amount due to the respective Bondowners on a payment date, and (b) the denominator of which is equal to the total original par amount of the respective 2017A-T Bonds.

If the 2017A-T Bonds are no longer registered in book-entry-only form, each Owner will receive an amount of 2017A-T Bonds equal to the original face amount then beneficially held by that Owner, registered in such Owner's name. Thereafter, any redemption of less than all of the 2017A-T Bonds of any maturity will continue to be paid to the Owners of such 2017A-T Bonds on a pro-rata basis, based on the portion of the original face amount of any such 2017A-T Bonds to be redeemed.]

Purchase in Lieu of Redemption. In lieu of redemption of the Term Senior Bonds or Term Subordinate Bonds pursuant to the Indenture or pursuant to a Supplemental Indenture, amounts on deposit in the Senior Bonds Sinking Account and the Subordinate Bonds Sinking Account may also be used and withdrawn by the Successor Agency and the Trustee, respectively, at any time, upon the Written Instructions of the Successor Agency, for the purchase of the Term Senior Bonds and Term Subordinate Bonds, respectively, at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Senior Bonds Interest Account or the Subordinate Bonds Interest Account, as applicable) as the Successor Agency may in its discretion determine. The par amount of any Term Senior Bonds and Term Subordinate Bonds so purchased by the Successor Agency in any twelve-month period ending on June 1 in any year shall be credited towards and shall reduce the par amount of the Term Senior Bonds or Term Subordinate Bonds, as applicable, required to be redeemed pursuant to the Indenture on August 1 in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said June 1.

Right to Rescind. The Successor Agency has the right to rescind any notice of the optional redemption of Redeemable Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Redeemable Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Parity Debt

Issuance of Senior Parity Debt. In addition to the 2017 Senior Bonds, the Successor Agency may issue refunding bonds as Senior Parity Debt to refund all or a portion of the Outstanding Bonds or Outstanding Senior Parity Debt or Outstanding Subordinate Parity Debt, in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions precedent:

- Either (a) the Tax Revenues for each succeeding fiscal year based on the most recent assessed valuation of property in the Project Area as evidenced in written documentation from an appropriate official of the County or a written report of an Independent Redevelopment Consultant shall be at least equal to 250% of Maximum Annual Debt Service on the 2017 Senior Bonds and Senior Parity Debt which will be outstanding immediately following the issuance of such Senior Parity Debt for each applicable succeeding Bond Year or (b), in the event that Senior Bonds or Senior

Parity Debt are being issued solely to refund outstanding Senior Bonds or Senior Parity Debt, the aggregate Annual Debt Service on the refunding Senior Bonds to be issued, together with the aggregate Annual Debt Service on all other Senior Bonds and Senior Parity Debt that will be Outstanding after the issuance of the refunding Senior Bonds, is lower than the aggregate Annual Debt Service on the Senior Bonds being refunded plus the aggregate Annual Debt Service on all other Senior Bonds and Senior Parity Debt that will be Outstanding after the issuance of the refunding Senior Bonds during every Bond Year such refunded Senior Bonds or refunded Senior Parity Debt would otherwise be outstanding;

- Interest is payable on Interest Payment Dates, and principal is payable on August 1 in any year in which principal is payable on the Senior Parity Bonds; and
- The Supplemental Indenture provides for: (a) a deposit to the Senior Bonds Reserve Account in an amount necessary such that the amount deposited therein shall equal the Senior Bonds Reserve Requirement following issuance of the Senior Parity Debt, or (b) a deposit to a reserve account for such Senior Parity Debt (and such other series of Senior Parity Debt issued as Senior Bonds under the Indenture identified by the Successor Agency) in an amount other than the Senior Bonds Reserve Requirement and as set forth in such Supplemental Indenture, so long as such Supplemental Indenture expressly declares that the Owners of such Senior Parity Debt will have no interest in or claim to the Senior Bonds Reserve Account and that the Owners of the Senior Bonds covered by the Senior Bonds Reserve Account will have no interest in or claim to such other reserve account established thereunder, or (c) no deposit to either the Senior Bonds Reserve Account or another reserve account and such Supplemental Indenture expressly declares that the Owners of such Senior Parity Debt will have no interest in or claim to the Senior Bonds Reserve Account or any other reserve account.

Issuance of Subordinate Parity Debt. In addition to the 2017 Subordinate Bonds, the Successor Agency may issue refunding bonds as Subordinate Parity Debt to refund all or a portion of the Outstanding Bonds, Outstanding Senior Parity Debt or Outstanding Subordinate Parity Debt, in such principal amount as shall be determined by the Successor Agency, subject to the following specific conditions precedent:

- Aggregate Annual Debt Service on all Outstanding Bonds, Outstanding Senior Parity Debt, and Outstanding Subordinate Parity Debt after the issuance of the refunding Subordinate Bonds, plus the Subordinate Parity Debt proposed to be issued is lower than the aggregate Annual Debt Service on the Outstanding Bonds, Outstanding Senior Parity Debt, and Outstanding Subordinate Parity Debt that is Outstanding prior to the issuance of the proposed Subordinate Parity Debt during every Bond Year the refunded Subordinate Bonds or refunded Subordinate Parity Debt would otherwise be outstanding;
- Interest is payable on Interest Payment Dates, and principal is payable on August 1 in any year in which principal is payable on the Subordinate Parity Bonds; and
- The Supplemental Indenture provides for: (a) a deposit to the Subordinate Bonds Reserve Account in an amount necessary such that the amount deposited therein shall equal the Subordinate Bonds Reserve Requirement following issuance of the

Subordinate Parity Debt, or (b) a deposit to a reserve account for such Subordinate Parity Debt (and such other series of Subordinate Parity Debt issued as Subordinate Bonds under the Indenture identified by the Successor Agency) in an amount other than the Subordinate Bonds Reserve Requirement in such Supplemental Indenture, so long as such Supplemental Indenture expressly declares that the Owners of such Subordinate Parity Debt will have no interest in or claim to the Subordinate Bonds Reserve Account and that the Owners of the Subordinate Bonds covered by the Subordinate Bonds Reserve Account will have no interest in or claim to such other reserve account established thereunder, or (c) no deposit to either the Subordinate Bonds Reserve Account or another reserve account and such Supplemental Indenture expressly declares that the Owners of such Subordinate Parity Debt will have no interest in or claim to the Subordinate Bonds Reserve Account or any other reserve account.

Issuance of Additional Debt Subordinate to the Subordinate Bonds. The Successor Agency may issue, sell or incur any loan, advance or indebtedness issued or incurred by the Successor Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, including revenue bonds and other debts and obligations scheduled for payment pursuant to Section 34183(a)(2) of the Law; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Subordinate Bonds.

THE DISSOLUTION ACT

General

The information in this section describes the amendment to the Redevelopment Law pursuant to the Dissolution Act. The following section entitled "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS" describes the specific pledge of Tax Revenues in favor of the 2017 Bonds and related matters.

Pre-Dissolution Act Redevelopment Tax Increment System. 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 adopts the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies 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 redevelopment agency obligations.

Impact of Dissolution on Redevelopment Tax Increment System. The Dissolution Act requires each county auditor-controller to determine, based on property taxes collected in a redevelopment project area, the amount of property taxes that would have been allocated to the former redevelopment agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the former redevelopment 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.

Post-Dissolution Refunding Bonds. The Dissolution Act provides that any bonds authorized thereunder to be issued by a successor agency will be considered indebtedness incurred by the former redevelopment 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 Schedule (see "– Recognized Obligation Payment Schedules" herein).

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by a 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 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 plans for each redevelopment project area, taxes levied upon taxable property in the project area 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 plans, or the respective effective dates of ordinances approving amendments to the redevelopment plans that added territory to the project area, as applicable, 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 area 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 ordinances adopting the redevelopment plans, or the respective effective dates of ordinances approving amendments to the redevelopment plans that added territory to the redevelopment project area, as applicable (each, a "**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 Redevelopment 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 the redevelopment plan limits, 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 redevelopment agency or the successor to finance or refinance the redevelopment projects of the former redevelopment agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the county auditor-controller, constitute the amounts required under the Dissolution Act to be deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund for each successor agency.

Debt Service and Pension Override Levies. Effective September 22, 2015 with the enactment of Section 34183, the Dissolution Act provides that property tax override revenues approved by the voters for the purpose of supporting pension programs or capital projects or programs related to the State Water Project (as such term is used in Section 34183(a)(1)(B)), 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. No such overrides are pledged as security for the 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Pledge of Tax Revenues to 2017 Bonds Under the Indenture,” and “– No Pledge of Override Levies” for a description of Tax Revenues pledged as security for the payment of debt service on the 2017 Bonds under the Indenture and debt service overrides levied within the Project Area.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. The Dissolution Act requires successor agencies to prepare, 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. Successor agencies are required to file Recognized Obligation Payment Schedules with the DOF for approval each February 1 for the July 1 through June 30 period immediately following such February 1. Pursuant to Section 34177(o)(1)(E) of the Dissolution Act, once per the Recognized Obligation Payment Schedule period, and no later than October 1, a successor agency may submit one amendment to DOF for the second half of the yearly Recognized Obligation Payment Schedule period (January-June), if the Oversight Board makes a finding that a revision is necessary to pay enforceable obligations during the second half of the Recognized Obligation Payment Schedule period. Currently, DOF does not allow successor agencies to add lines for additional obligations when submitting the Amended Recognized Obligation Payment Schedule.

Prior Period Adjustments. Subject to review by the county auditor-controller, differences between actual payments and past estimated obligations on Recognized Obligation Payment Schedules shall be reported in subsequent Recognized Obligation Payment Schedules and shall adjust the amount to be transferred to the Redevelopment Obligation Retirement Fund.

In addition, there are strong incentives for a successor agency to submit recognized obligation payment schedules on time. If a successor agency does not submit a recognized obligation payment schedule to the Oversight Board and the DOF by each February 1 (unless a successor agency elects to file a last and final recognized obligation payment schedule), then a

successor agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Recognized Obligation Payment Schedules,” for discussion regarding submission of Last and Final Recognized Obligation Payment Schedule. Additionally, if a successor agency does not submit a recognized obligation payment schedule to the Oversight Board and the DOF at least 10 days after each February 1 (unless a successor agency elects to file a last and final recognized obligation payment schedule), then a successor agency’s administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late recognized obligation payment schedules and implications for the 2017 Bonds, see “BONDHOLDER RISKS – Recognized Obligation Payment Schedules.”

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. 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 or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor 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, under certain circumstances, amounts borrowed from the successor agency’s low and moderate income housing fund.

A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by a bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bonds for the next payment due in the following half of the calendar year.

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund. 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 as specified in Section 34183 of the Dissolution Act.

The Dissolution Act requires the county auditor-controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for statutory pass-through obligations to the taxing entities on each January 2 and June 1 before amounts are distributed by the county auditor-controller from the Redevelopment Property Tax Trust Fund to a 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 redevelopment 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 redevelopment 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.

Consequences of Insufficient Property Tax Revenue. 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 as pass-through payments, whether contractual or statutory, in order to be paid to the successor agency for bonded indebtedness, but only after the amounts described in the previous two sentences have been exhausted. If there is still an insufficiency, the Dissolution Act permits, but does not require, a loan to be made from the county treasury to the successor agency. For a description of the Successor Agency's pass-through payment obligations, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Subordinate AB1290 Statutory Pass-Through Payments" and "–The County Pass-Through Payments."

Sources of Payments for Enforceable Obligations. 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 (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (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 successor agency, as approved by the oversight board).

The Dissolution Act provides that only those payments listed in the Recognized Obligation Payment Schedule may be made by a successor agency and only from the funds specified in the Recognized Obligation Payment Schedule.

No Applicable Redevelopment Plan Limits. In accordance with the Redevelopment Law, redevelopment plans project areas were required to include certain limits on the financing of the redevelopment projects. These limits could include a time limit on the life of the redevelopment plan, a time limit on the incurrence of indebtedness, a time limit on the receipt of property tax increment and the repayment of indebtedness and a limit on the amount of bonded indebtedness outstanding at any time. The Dissolution Act, as amended by SB 107 as of September 22, 2015, clarifies that former tax increment limits set forth in redevelopment plans no longer apply for purposes of paying approved enforceable obligations.

Redevelopment Obligation Retirement Fund. Each successor agency has established within its treasury a "Redevelopment Obligation Retirement Fund" pursuant to Section 34170.5 of the Dissolution Act. Under the Dissolution Act, the county auditor-controller is obligated to transfer each January 2 and June 1, from the Redevelopment Property Tax Trust Fund of the successor agency into the Redevelopment Obligation Retirement Fund of the successor agency, an amount of tax increment revenue equal to that specified in the successor agency's Recognized Obligation Payment Schedule as approved by the DOF as payable from

the Redevelopment Property Tax Trust Fund, subject to certain limitations established by the Dissolution Act.

Elimination of Housing Set-Aside. Before it was amended by the Dissolution Act, the Redevelopment Law required each redevelopment agency to set aside not less than 20% of all tax increment generated in project areas into a low and moderate income housing fund to be used for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing. These tax increment revenues were commonly referred to as “**Housing Set-Aside.**” The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside.

Last and Final Recognized Obligation Payment Schedule. Commencing on September 22, 2015, 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, at their option, may 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 future Recognized Obligation Payment Schedules to the DOF or the oversight board. The county auditor-controller would thereafter 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.

SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS

Pledge of Tax Revenues to 2017 Bonds Under the Indenture

Definition of Tax Revenues. Under the Indenture, “**Tax Revenues**” is generally defined to mean all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated, or are available to be allocated, to the Successor Agency and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, excluding all amounts required to be paid to taxing entities pursuant to (i) the pass-through provisions of the Law, unless such payments are subordinated to payments on the 2017 Bonds, or any additional Senior Bonds or Subordinate Bonds, as applicable, and (ii) the pension override or State Water Project override provisions of the Law. For the complete definition of “Tax Revenues,” see “APPENDIX D – SUMMARY OF THE INDENTURE.” For additional information regarding application of the Law, see “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Subordinate AB1290 Statutory Pass-Through Payments,” “PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures,” “THE DISSOLUTION ACT – General – Debt Service and Pension Override Levies,” and “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – No Pledge of Override Levies.”

The Successor Agency has undertaken the requisite procedures under the Dissolution Act and the Law to subordinate AB 1290 statutory pass-through payments required to be made from the Project Area to the payment of the 2017 Bonds as described below. Negotiated pass-through payments owed to the County under the Amended Agreement (defined herein) and the 2011 Settlement Agreement between the Successor Agency and the County are also subordinate to the 2017 Bonds in accordance with the terms of such agreements. However, in order to comply with the Dissolution Act’s requirements related to subordination of negotiated

pass-through payments, the Successor Agency has sought and obtained the subordination of the County pass-through payments as described under the caption “–The County Pass-Through Payments”. See “–Subordinate AB1290 Statutory Pass-Through Payments” for a description of the statutory pass-through payments and “–The County Pass-Through Payments” for a description of the County pass-through payments.

2017 Senior Bonds. Under the Indenture, the 2017 Senior Bonds and any Senior Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and (i) a first pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Senior Bonds Interest Account, the Senior Bonds Principal Account, the Senior Bonds Sinking Account and the Senior Bonds Redemption Account therein, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The foregoing pledge and lien is subject to the lien in favor of the Trustee to secure payment of its fees, costs and expenses.

The 2017 Senior Bonds and all Senior Parity Debt are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys, or reserve fund sureties, in the Senior Bonds Reserve Account. The Senior Bonds are also equally secured by the pledge and lien created with respect to the Senior Bonds by Section 34177.5(g) of the Redevelopment Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such other moneys expressly pledged in the Indenture as security for the Senior Bonds, no funds or properties of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest on the Senior Bonds.

2017 Subordinate Bonds. Under the Indenture, the 2017 Subordinate Bonds and any Subordinate Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues on a basis subordinate to the payment of debt service on the 2017 Senior Bonds and any Senior Parity Debt and amounts required to be deposited to the accounts established for the 2017 Senior Bonds and any Senior Parity Debt, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and (i) a pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, subject only to the prior and senior pledge of, security interest in and lien on all of the Tax Revenues therein in favor of the Senior Bonds and any Senior Parity Debt and (ii) a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Subordinate Bonds Interest Account, the Subordinate Bonds Principal Account, the Subordinate Bonds Sinking Account and the Subordinate Bonds Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The foregoing pledge and lien is subject to the lien in favor of the Trustee to secure payment of its fees, costs and expenses.

The 2017 Subordinate Bonds and all Subordinate Parity Debt are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys, or reserve fund sureties, in the Subordinate Bonds Reserve Account. The Subordinate Bonds are also equally secured by the pledge and lien created with respect to the Subordinate Bonds by Section 34177.5(g) of the Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund on a basis subordinate to the 2017 Senior Bonds and any Senior Parity Debt. Except for the Tax Revenues and such other moneys expressly pledged in the Indenture as security for the Subordinate Bonds, no funds or properties of the Successor

Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the Subordinate Bonds.

No Housing Set-Aside. Because the Dissolution Act eliminated the characterization of certain tax increment revenues as Housing Set-Aside, the former Housing Set-Aside is included as part of Tax Revenues and is available to pay debt service on the 2017 Bonds. This is reflected in the projection of Tax Revenues prepared by the Fiscal Consultant. See "THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage."

Successor Agency ROPS Covenant

General. The Successor Agency covenants in the Indenture to comply with all of the requirements of the Law and the Dissolution Act. In particular, the Successor Agency will take all actions required under the Dissolution Act to include:

- (i) scheduled debt service on the 2017 Senior Bonds and any Senior Parity Debt, and any amounts required to replenish the Senior Bonds Reserve Account or a reserve account established under any Senior Parity Debt Instrument,
- (ii) scheduled debt service on the 2017 Subordinate Bonds and any other Subordinate Parity Debt and any amount required to replenish the Subordinate Bonds Reserve Account or a reserve account established under any Subordinate Parity Debt Instrument, and
- (iii) amounts due to any Insurer under the Indenture,

in each annual Recognized Obligation Payment Schedule so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Successor Agency's Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Successor Agency to pay principal of, and interest on, the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt coming due in the respective six-month period and to pay amounts owed to any Insurer, as well as the other amounts set forth above.

These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and DOF the amounts to be held by the Successor Agency as a reserve until the next six-month period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to comply with the Indenture.

In addition, amounts received by the Successor Agency on the January 2, 2018 distribution date that otherwise would have been applied to the payment of debt service on the Refunded Obligations or reserved for such purpose, will be applied as provided in the Indenture. Any of such amounts so deposited in the Debt Service Fund not required to be deposited in the Senior Interest Account, the Senior Principal Account, the Subordinate Interest Account or the Subordinate Principal Account in connection with the Interest Payment Date on February 1, 2018 pursuant to the terms of the Indenture shall be retained in the Debt Service Fund and deposited in the Senior Interest Account, the Senior Principal Account, the Subordinate Interest Account or the Subordinate Principal Account in connection with the Interest Payment Date of August 1, 2018 pursuant to the terms of the Indenture.

Requirements Regarding ROPS Commencing with 2018A-19B ROPS. In particular, the Successor Agency shall, not later than February 1, 2018 (or at such earlier time as may be required by the Dissolution Act), submit to the DOF and to the County Auditor-Controller an Oversight Board-approved Recognized Obligation Payment Schedule relating to the June 1, 2018 and January 2, 2019 disbursement dates, providing that (i) the amounts to be distributed on the June 1, 2018 distribution date include all amounts that, together with any other amounts then on deposit in the Redevelopment Property Tax Trust Fund, the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Senior Interest Account, the Senior Principal Account, the Subordinate Interest Account and the Subordinate Principal Account reserved and set aside for payment of debt service on the 2017 Senior Bonds and 2017 Subordinate Bonds, will be sufficient for the payment of all interest and principal coming due and payable on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on August 1, 2018, and (ii) the amounts to be distributed on the January 2, 2019 distribution date include (A) interest coming due on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on February 1, 2019 and (B) 50% of the principal amount coming due and payable on August 1, 2019 on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt.

Requirements Regarding ROPS Commencing with 2019A-20B ROPS. In addition, not later than February 1, 2019 and each February 1 thereafter (or at such other time as may be required by the Dissolution Act) for so long as any of the 2017 Senior Bonds, Senior Parity Debt, the 2017 Subordinate Bonds or any Subordinate Parity Debt remain outstanding, the Successor Agency shall submit to the DOF and to the County Auditor-Controller an Oversight Board-approved Recognized Obligation Payment Schedule that provides for the distribution of the following amounts:

(A) for distribution on each June 1:

(i) all interest coming due and payable on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on the next succeeding August 1, and

(ii) 50% of the principal amount coming due and payable on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on the next August 1 (or such lesser or greater amount as is necessary to ensure that the principal of the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt is paid on a timely basis on each August 1); and

(B) for distribution on each January 2:

(i) all interest coming due and payable on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on the next succeeding February 1, and

(ii) 50% of the principal amount coming due and payable on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on the next August 1;

(C) if the Successor Agency determines it is necessary to ensure timely payment of debt service on the 2017 Senior Bonds, any Senior Parity Debt, the 2017

Subordinate Bonds or any Subordinate Parity Debt, the Successor Agency may also collect on each January 2 or June 1, as necessary, a reserve, to be held in the Debt Service Fund, for the payment of debt service on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds and any Subordinate Parity Debt on February 1 and August 1 of the next succeeding calendar year; and

(D) any amounts required to replenish the Senior Bonds Reserve Account, the Subordinate Bonds Reserve Account and any other reserve account established under any Senior Parity Debt Instrument or any Subordinate Parity Debt Instrument, and any amounts due and owing to any Insurer under the Indenture.

Notice of Insufficiency. The Successor Agency further covenants that it will, on or before May 1 and December 1 of each year, file a report required under Section 34183(b) (a “**Notice of Insufficiency**”) with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming June 1 or January 2, as applicable, is insufficient to pay debt service on the 2017 Senior Bonds, any Senior Parity Debt, the 2017 Subordinate Bonds or any Subordinate Parity Debt, to replenish the Senior Bonds Reserve Account or the Subordinate Bonds Reserve Account established under the Indenture or the reserve accounts established under any Senior Parity Debt Instrument or Subordinate Parity Debt Instrument and to pay any Insurer any amounts owing under the Indenture.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amounts available from the County Auditor-Controller in any six-month period (or otherwise) to pay the principal of and interest on the 2017 Bonds. See “BONDHOLDER RISKS – Levy and Collection of Taxes.”

History of Submission of the Recognized Obligation Payment Schedules. The Successor Agency has procedures in place to ensure full and timely compliance with the above-described covenants. Under the direction of the Chief Financial Officer of the Successor Agency (who is also the Director of Finance of the City), the Successor Agency has submitted each of its Recognized Obligation Payment Schedules on a timely basis.

History of Submission of the Notices of Insufficiency. For a variety of reasons, the Successor Agency has filed a Notice of Insufficiency with the County Auditor-Controller and the State for every ROPS period since July 1, 2012. By December 1, 2017, the Successor Agency expects to file a Notice of Insufficiency for the ROPS period commencing on January 1, 2018. Commencing on July 1, 2018, following the issuance of the 2017 Bonds, the Successor Agency expects to have sufficient funds to meet all of its enforceable obligations, including the 2017 Bonds and obligations subordinate to the 2017 Bonds. However, there can be no guarantee that an insufficiency of funds will not occur in the future.

Last and Final ROPS. The Successor Agency currently has no plans to file a “Last and Final” ROPS.

No Pledge of Override Levies

Debt service override revenues approved by the voters for the purpose of supporting pension programs or capital projects or programs related to the State Water Project (as such term is used in Section 34183(a)(1)(B)) that are not pledged to 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.

The County imposes one County-wide pre-1989 levy, for contributions to a retirement fund (the “**PERS Levy**”). The tax increment attributable to the PERS Levy on property in the tax rate areas comprising the Project Area historically accrued to the Successor Agency. The Santa Clara Valley Water District levies a pre-1989 rate against land and improvements in all of the tax rate areas comprising the Project Area (the “**Water District Levy**”), and the tax increment attributable to the Water District Levy on property in the Project Area also historically accrued to the Successor Agency.

In 2012, the County Auditor-Controller asserted that the tax increment attributable to the PERS Levy and the Water District Levy should not be considered tax increment revenue and, since June 2012, these revenues had not been allocated to the Successor Agency to pay enforceable obligations. The City and the Successor Agency commenced litigation against the County on this matter, which was settled on August 18, 2017. Under the terms of the settlement agreement, the Successor Agency agreed not to pledge tax increment derived from the PERS Levy and Water District Levy to the 2017 Bonds or any future indebtedness. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – The County Pass-Through Payments – 2017 Settlement Agreement.”

For purposes of the 2017 Bonds, the revenues attributable to the PERS and Water District levies are not pledged to the 2017 Bonds and are not included in projections of Tax Revenues in this Official Statement.

Flow of Funds Under the Indenture

General. The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and agrees in the Indenture, so long as any of the 2017 Bonds are Outstanding, to continue to hold and maintain such fund as a separate fund in its treasury (which will be a separate account from other accounts of the Successor Agency and the City into which no other moneys will be deposited). The application of Tax Revenues to the payment of debt service on the 2017 Senior Bonds, 2017 Subordinate Bonds, Senior Parity Debt and Subordinate Parity Debt is governed by the terms and provisions of the Indenture. Such terms and provisions are described on the following pages.

Deposit in Redevelopment Obligation Retirement Fund. The Indenture provides that the Successor Agency will deposit all of the Tax Revenues received into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency on each January 2 and June 1. All Tax Revenues received by the Successor Agency on each January 2 and June 1 of each year in excess of the amount required to make the deposits into the Debt Service Fund described below, and except as may be provided to the contrary in the Indenture or in any Supplemental Indenture, Senior Parity Debt Instrument or Subordinate Parity Debt Instrument, shall be released from the respective pledges and liens under the Indenture in favor of the Senior Bonds, any Senior Parity Debt, the Subordinate Bonds and any Subordinate Parity

Debt and shall be applied in accordance with the Law. In the event the Dissolution Act is amended after the Closing Date to provide for the distribution of moneys from the Redevelopment Property Tax Trust Fund to the Successor Agency on dates other than January 2 and June 1 of each year, then each reference to January 2 and June 1 in the Indenture shall mean such other date or dates as are specified in the Dissolution Act, as so amended.

Transfers of Amounts to Debt Service Fund Held by Trustee. The Successor Agency will transfer moneys deposited into the Redevelopment Obligation Retirement Fund for the payment of debt service on the Senior Bonds, any Senior Parity Debt (if applicable), the Subordinate Bonds, any Subordinate Parity Debt (if applicable), or for the replenishment of the Senior Bonds Reserve Account and the Subordinate Bonds Reserve Account within 10 days of the receipt thereof to the Trustee for deposit in the Debt Service Fund.

Transfer of Amounts within Debt Service Fund. So long as any 2017 Bonds, any Senior Parity Debt or Subordinate Parity Debt remains outstanding, the Trustee shall transfer amounts on deposit in the Debt Service Fund in the following amounts, at the following times and in the following respective special accounts, which (subject to the establishment of the Senior Bonds Sinking Account and Subordinate Bonds Sinking Account, as provided below) are hereby established in the Debt Service Fund, and in the following order of priority:

- *Accounts related to Senior Bonds:*
 - Senior Bonds Interest Account, no later than the 3rd Business Day prior to each Interest Payment Date, amounts needed for the purpose of paying the interest on the Senior Bonds and any Senior Parity Debt becoming due and payable on the next succeeding Interest Payment Date, *then*
 - Senior Bonds Principal Account, no later than the 3rd Business Day prior to each Interest Payment Date, 50% of the amount needed for the purpose of paying the principal of the Senior Bonds and any Senior Parity Debt becoming due and payable on the next August 1 (or such greater amount as is necessary to ensure that principal of the Senior Bonds and any Senior Parity Debt is paid on a timely basis on such August 1), *then*
 - Senior Bonds Sinking Account, if established, no later than the 3rd Business Day prior to each Interest Payment Date, an amount equal to 50% of the amount needed for the purpose of paying the principal of the Term Senior Bonds required to be redeemed on the next August 1 (or such greater amount as is necessary to ensure that principal of the Senior Bonds and any Senior Parity Debt is paid on a timely basis on such August 1), *then*
 - Senior Bonds Reserve Account, in the event that the amount on deposit of moneys in the Senior Bonds Reserve Account or any subaccount therein as of any December 1 becomes less than the Senior Bonds Reserve Requirement, an amount sufficient to maintain the Senior Bonds Reserve Requirement on deposit in the Senior Bonds Reserve Account, *then*

- Senior Bonds Redemption Account, amounts needed for the purpose of paying the principal of and premium, if any, on the Senior Bonds to be redeemed on the date set for such redemption, other than mandatory redemption of Term Senior Bonds from funds on deposit in the Senior Bonds Sinking Account, *then*
- Accounts related to Subordinate Bonds:
 - Subordinate Bonds Interest Account, no later than the 3rd Business Day prior to each Interest Payment Date, amounts needed for the purpose of paying the interest on the Subordinate Bonds and any Subordinate Parity Debt becoming due and payable on the next succeeding Interest Payment Date, *then*
 - Subordinate Bonds Principal Account, no later than the 3rd Business Day prior to each Interest Payment Date, 50% of the amount needed for the purpose of paying the principal of the Subordinate Bonds and any Subordinate Parity Debt becoming due and payable on the next August 1 (or such greater amount as is necessary to ensure that principal of the Subordinate Bonds and any Subordinate Parity Debt is paid on a timely basis on such August 1), *then*
 - Subordinate Bonds Sinking Account, if established, no later than the 3rd Business Day prior to each Interest Payment Date, an amount equal to 50% of the amount needed for the purpose of paying the principal of the Term Subordinate Bonds required to be redeemed on the next August 1 (or such greater amount as is necessary to ensure that principal of the Subordinate Bonds and any Subordinate Parity Debt is paid on a timely basis on such August 1), *then*
 - Subordinate Bonds Reserve Account, in the event that the amount on deposit of moneys in the Subordinate Bonds Reserve Account or any subaccount therein as of any December 1 becomes less than the Subordinate Bonds Reserve Requirement, an amount sufficient to maintain the Subordinate Bonds Reserve Requirement on deposit in the Subordinate Bonds Reserve Account, *then*
 - Subordinate Bonds Redemption Account, amounts needed for the purpose of paying the principal of and premium, if any, on the Subordinate Bonds to be redeemed on the date set for such redemption, other than mandatory redemption of Term Subordinate Bonds from funds on deposit in the Subordinate Bonds Sinking Account.

For additional details on the foregoing accounts and flow of funds, see “APPENDIX D – SUMMARY OF THE INDENTURE.” See also “–Reserve Accounts” herein.

Surplus. Not later than 5 Business Days after making the deposits required to be made within the Debt Service Fund as described above with respect to each August 1 Interest Payment Date, the Trustee shall deliver a written certificate to the Successor Agency certifying that (i) all such deposits have been made for the applicable Bond Year, (ii) the amounts on deposit in the Senior Bonds Reserve Account equal the Senior Bonds Reserve Requirement,

(iii) the amounts on deposit in the Subordinate Bonds Reserve Account equal the Subordinate Bonds Reserve Requirement, (iv) any Qualified Reserve Account Credit Instruments deposited in the Senior Bonds Reserve Account and the Subordinate Bonds Reserve Account are fully replenished and all interest on amounts advanced thereunder have been paid to the provider thereof and (v) no such amounts remain on deposit in the Debt Service Fund after making such deposits or specifying the amount remaining in the Debt Service Fund. Upon receipt by the Trustee of a Written Request of the Successor Agency, the Trustee shall thereafter transfer any money remaining on deposit in the Debt Service Fund to the Successor Agency for use for any lawful purpose.

Reserve Accounts

The Senior Bonds Reserve Account will be funded to the Senior Bonds Reserve Requirement, and the Subordinate Bonds Reserve Account will be funded to the Subordinate Bonds Reserve Requirement, respectively.

Senior Bonds Reserve Requirement. Under the Indenture, “**Senior Bonds Reserve Requirement**” means, as of the date of issuance of a series of Senior Bonds or Senior Parity Debt secured by the Senior Bonds Reserve Account, an amount equal to the lesser of:

(i) 125% of the average Annual Debt Service with respect to the 2017 Senior Bonds and Senior Parity Debt secured by the Senior Bonds Reserve Account between the date of such issuance and the final maturity of thereof; or

(ii) Maximum Annual Debt Service with respect to the 2017 Senior Bonds and Senior Parity Debt secured by the Senior Bonds Reserve Account between the date of such issuance and the final maturity of thereof;

provided that, the Senior Bonds Reserve Requirement may be determined on an individual basis with respect to a series or issue of Senior Bonds or on a combined basis for two or more series of Senior Bonds or Senior Parity Debt, as determined by the Successor Agency. In no event shall the Successor Agency, in connection with the issuance of Senior Parity Debt be obligated to deposit an amount in the Senior Bonds Reserve Account which is in excess of the amount permitted by the applicable provisions of the Tax Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Senior Bonds Reserve Account is so limited, the Senior Bonds Reserve Requirement shall, in connection with the issuance of such Senior Parity Debt, be increased only by the amount of such deposit as permitted by the Tax Code.

Senior Bonds Qualified Reserve Account Credit Instrument. The Successor Agency may meet all or a portion of the Senior Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

On the Closing Date, the 2017 Senior Bonds Reserve Policy, which is considered a Qualified Reserve Account Credit Instrument, will be deposited in the Senior Bonds Reserve Account in the amount of \$_____, which is equal to the Senior Bonds Reserve Requirement. The Trustee shall draw on the 2017 Senior Bonds Reserve Policy in accordance with its terms and conditions and the terms of this Indenture and the 2017 Senior Bonds Reserve Account Agreement. See “APPENDIX D – SUMMARY OF THE INDENTURE” for additional information concerning the Senior Bonds Reserve Account.

The Successor Agency will not be obligated to replace the 2017 Senior Bonds Reserve Policy or to fund the Senior Bonds Reserve Account with cash if, at any time that the 2017 Senior Bonds are Outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of the issuer of such policy is downgraded, suspended or withdrawn.

Senior Parity Debt Reserve Requirement. In the event, the Senior Bonds Reserve Requirement is determined on a combined basis for two or more series of Senior Bonds or Senior Parity Debt, such series of Senior Bonds or Senior Parity Debt shall be secured on a parity basis by the same reserve account established under the Indenture or a Senior Parity Debt Instrument.

In the event that a series or issue of Senior Bonds or Senior Parity Debt is secured by a reserve account described in the Indenture, or is not secured by a reserve account, as permitted in the Indenture, the reserve requirement for such series may or may not be determined on a combined basis as set forth above.

Use of Senior Bonds Reserve Account. Amounts in the Senior Bonds Reserve Account and any subaccount thereof will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Senior Bonds Interest Account and the Senior Bonds Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Senior Bonds and Senior Parity Bonds then Outstanding.

Subordinate Bonds Reserve Requirement. Under the Indenture, “**Subordinate Bonds Reserve Requirement**” means, as of the date of issuance of a series of Subordinate Bonds secured by the Subordinate Bonds Reserve Account, an amount equal to the lesser of:

(i) 125% of the average Annual Debt Service with respect to the 2017 Subordinate Bonds and Subordinate Parity Debt secured by the Subordinate Bonds Reserve Account between the date of such issuance and the final maturity of thereof; or

(ii) Maximum Annual Debt Service with respect to the 2017 Subordinate Bonds and Subordinate Parity Debt secured by the Subordinate Bonds Reserve Account between the date of such issuance and the final maturity of thereof;

provided that, the Subordinate Bonds Reserve Requirement may be determined on an individual basis with respect to a series or issue of Subordinate Bonds or Subordinate Parity Debt or on a combined basis for two or more series of Subordinate Bonds or Subordinate Parity Bonds, as determined by the Successor Agency. In no event shall the Successor Agency, in connection with the issuance of Subordinate Parity Debt be obligated to deposit an amount in the Subordinate Bonds Reserve Account which is in excess of the amount permitted by the applicable provisions of the Tax Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Subordinate Bonds Reserve Account is so limited, the Subordinate Bonds Reserve Requirement shall, in connection with the issuance of such Subordinate Parity Debt, be increased only by the amount of such deposit as permitted by the Tax Code.

Subordinate Bonds Qualified Reserve Account Credit Instrument. The Successor Agency may meet all or a portion of the Subordinate Bonds Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

On the Closing Date, the 2017 Subordinate Bonds Reserve Policy, which is considered a Qualified Reserve Account Credit Instrument, will be deposited in the Subordinate Bonds Reserve Account in the amount of \$_____, which is equal to the Subordinate Bonds Reserve Requirement. The Trustee shall draw on the 2017 Subordinate Bonds Reserve Policy in accordance with its terms and conditions and the terms of this Indenture and the 2017 Subordinate Bonds Reserve Account Agreement. See "APPENDIX D – SUMMARY OF THE INDENTURE" for additional information concerning the Subordinate Bonds Reserve Account.

The Successor Agency will not be obligated to replace the 2017 Subordinate Bonds Reserve Policy or to fund the Subordinate Bonds Reserve Account with cash if, at any time that the 2017 Subordinate Bonds are Outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of the issuer of such policy is downgraded, suspended or withdrawn.

Subordinate Parity Debt Reserve Requirement. In the event, the Subordinate Bonds Reserve Requirement is determined on a combined basis for two or more series of Subordinate Bonds or Subordinate Parity Debt, such series of Subordinate Bonds or Subordinate Parity Debt shall be secured on a parity basis by the same reserve account established under the Indenture or a Subordinate Parity Debt Instrument.

In the event that a series or issue of Subordinate Bonds or Subordinate Parity Debt is secured by a reserve account described in the Indenture, or is not secured by a reserve account, as permitted in the Indenture, the reserve requirement for such series may or may not be determined on a combined basis as set forth above.

Use of Subordinate Bonds Reserve Account. Amounts in the Subordinate Bonds Reserve Account and any subaccount thereof will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Subordinate Bonds Interest Account and the Subordinate Bonds Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Subordinate Bonds and Subordinate Parity Bonds then Outstanding.

Subordinate AB1290 Statutory Pass-Through Payments

General. All new redevelopment plans that were adopted, or existing redevelopment plans that were amended in certain manners, after January 1, 1994, became subject to statutorily defined pass-through requirements and plan limitations generally known as AB1290 requirements. The payments required to be made to taxing entities pursuant to the AB1290 requirements are referred to as "**Statutory Pass-Through Payments.**"

On November 5, 2002, the Former Agency adopted amendments to the redevelopment plans for the Project Area to extend the time limit on debt incurrence, which triggered the payment of Statutory Pass-Through Payments. For additional details, see "APPENDIX A – REPORT OF THE FISCAL CONSULTANT."

Subordination of Statutory Pass-Through Payments. Under the Law, the Successor Agency may subordinate these payments to payment of bonds, and in connection with the

issuance of the 2017 Bonds, the Successor Agency has followed the procedures for subordination set forth therein. [Revise as needed following discussions with San Jose USD:] Accordingly, the Statutory Pass-Through Payments described herein are subordinate to the payment of debt service on the 2017 Bonds.

In August 2017, one of the taxing entities that receives a Statutory Pass-Through Payment, Santa Clara Unified School District, sent a letter to the Successor Agency in which they unconditionally approved the subordination of the Statutory Pass-Through Payment, while noting certain practices that the district requests the Successor Agency follow if reductions in pass-through payments are required. The Successor Agency may not be able to comply with all of these practices. Notwithstanding the practices requested in the letter, the Successor Agency believes the payments to the Santa Clara Unified School District have been subordinated in accordance with the Law.

For a description of the effect of subordination on the order of priority of distributions from the Redevelopment Property Tax Trust Fund, see "THE DISSOLUTION ACT – Recognized Obligation Payment Schedules – Order of Priority of Distributions from Redevelopment Property Tax Trust Fund."

Estimate of Statutory Pass-Through Payments. For Fiscal Year 2017-18, the Fiscal Consultant estimates that the Statutory Pass-Through Payments will be \$26.5 million, after reimbursement of the facilities payments described below and excluding any pass-through payments from supplemental revenues.

The County Auditor Controller is required to deduct from the Successor Agency's Redevelopment Property Tax Trust Fund the Statutory Pass-Through Payments calculated as certain percentages of tax increment generated in the Project Area and to pay those amounts to the affected taxing agencies as follows:

Tier 1: Starting in Fiscal Year 2002-03, the fiscal year following the expiration of the original plan limits on the establishment of indebtedness for all sub-areas except Monterey Corridor and Almaden Gateway (whose Tier 1 payments started in Fiscal Year 1994-95 and Fiscal Year 1996-97, respectively, following the adoption of those plans) and continuing until all enforceable obligations are met, 25% of revenues generated in the Project Area in excess of revenues generated in the year prior to the initial year of Tier 1 payments are distributed to taxing entities; plus

Tier 2: An additional stream of payments commencing in Fiscal Year 2012-13 and continuing until all enforceable obligations are met, equal to 21% of revenues in excess of revenues based on assessed values in the Project Area for the 10th year; plus,

Tier 3: An additional stream of payments commencing in Fiscal Year 2032-33 and continuing until all enforceable obligations are met, equal to 14% of revenues in excess of revenues based on assessed values in the Project Area for the 30th year.

The foregoing percentages are applied to revenue as though the Housing Set-Aside (equal to 20% of tax increment) were still in effect. As a result, the percentages are effectively 20% of total tax increment revenue for the Tier 1 payments, 16.8% of Tier 2 payments and 11.2% of Tier 3 payments.

Reductions of Statutory Pass-Through Payments for Public Facilities. Under Section 33607.5 of the Redevelopment Law, the County Auditor-Controller is required to reduce its payments to affected taxing entities by any amounts paid to those entities for public facilities. With respect to school districts, community college districts and county offices of education, these reductions can only apply to the portion of the pass-through payment considered under the statute to be for educational facilities; these portions are, respectively, 56.7%, 52.5% and 81% of the payments to school districts, community college districts and to the County Office of Education in the Project Area. The Successor Agency's prior-year payments to the City for public facilities are deducted annually from the City's pass-through payments, fully offsetting the annual amount of the pass-through payments to the City. While the Successor Agency is reviewing these prior-year payments, it is expected that these deductions will continue into the foreseeable future.

The Former Agency provided payments to other entities for public facilities, specifically, the San José Unified School District and the Santa Clara Valley Water District. As of Fiscal Year 2015-16, the County Auditor-Controller reported that the facilities deduction has been completed, and no further offsets will be applied to the Statutory Pass-Through Payments to the San José Unified School District. As of Fiscal Year 2016-17, the Fiscal Consultant estimated that the unreimbursed portion of funding paid to the Santa Clara Valley Water District was approximately \$7.9 million. Because the full amount of Statutory Pass-Through Payments payable to the Santa Clara Valley Water District is subject to offset, the Successor Agency expects that 100%, or approximately \$1.3 million, of the Statutory Pass-Through Payment to the Santa Clara Valley Water District will be applied to the offsetting deduction for public facilities for Fiscal Year 2017-18.

Treatment of ERAF. There has been litigation in the State related to the relationship between Educational Revenue Augmentation Fund ("**ERAF**") payments (which are generally deemed to be property tax revenue) and statutory tax sharing payments. In *Los Angeles Unified School District v. County of Los Angeles et al.* (2010) 181 Cal. App. 4th 414, the Los Angeles Unified School District ("**LAUSD**") sought a writ of mandate to compel the County of Los Angeles to increase its allocation of statutory pass-through payments. The trial court concluded that ERAF revenue should be excluded from the calculation of LAUSD's percentage share of property taxes for purposes of calculating statutory tax sharing allocation. The Court of Appeal, Second Appellate District reversed, holding that the correct allocation of the statutory tax sharing payments is dependent upon the correct calculation of the percentage share of property taxes that each affected taxing entity receives during the fiscal year the funds are allocated, including most ERAF payments (the Court of Appeal held that supplemental ERAF deposits from non-property tax revenue may be excluded from the statutory tax sharing calculation). A petition for review was filed with the California Supreme Court, but the California Supreme Court denied the petition.

The potential significance of this case to the Successor Agency is that the allocation imposed by the Court of Appeal will increase the amount of statutory tax sharing payments to school districts, and decrease the amount of tax increment revenue allocated to counties, cities and special districts, at least within the Second Appellate District. The County is not within the Second Appellate District and has reported that it will not follow the direction of the Court of Appeal for the Second Appellate District in this matter, although the County could decide to do otherwise. See the section of the Fiscal Consultant Report entitled "Tax Sharing Obligations" for an analysis of the potential impact on tax increment revenues if the County were to change its approach.

See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT" for information about the Former Agency's statutory pass-through obligations and the County's payment practices with regard to Statutory Pass-Through Payments.

The County Pass-Through Payments

Annual County Pass-Through. In 1983, the Former Agency and the County entered into a tax sharing agreement (the “**Original Pass-Through Agreement**”) under which the Former Agency would pay a portion of tax increment revenue generated in the Project Area to the County (the “**County Pass-Through Payments**”). On December 16, 1993, the Former Agency, the County and the City entered into a Settlement Agreement (the “**1993 Settlement Agreement**”) which continued the County Pass-Through Payments. On May 22, 2001, the Former Agency, the County and the City approved an Amended and Restated Agreement that superseded and replaced the Original Pass-Through Agreement and the 1993 Settlement Agreement (the “**Amended Agreement**”).

The amount of the County Pass-Through Payment in Fiscal Year 2017-18 is estimated to be \$35.0 million. Due to an insufficiency in tax increment revenues, the Former Agency and the Successor Agency were not able to fund in full the County Pass-Through Payments on a current basis in Fiscal Years 2011-12 through Fiscal Years 2016-17. As of August 1, 2017, the County was owed approximately \$2.6 million in past-due amounts of County Pass-Through Payments. It is anticipated that those past due amounts will be repaid in full by June 30, 2018.

2011 Settlement Agreement. The County, the Former Agency and the City, along with the San José Diridon Development Authority, entered into a Settlement Agreement dated March 16, 2011 (the “**2011 Settlement Agreement**”) to resolve certain matters related to prior unpaid County Pass-Through Payments. Pursuant to the 2011 Settlement Agreement, the Former Agency agreed, among other things, to pay the County \$23.78 million as repayment of prior County Pass-Through Payments in five equal installments due no later than June 30 of 2014, 2015, 2016, 2017 and 2018.

Due to an insufficiency in tax increment revenues in past fiscal years, the Successor Agency was not able to pay all of the installments due in such prior fiscal years under the 2011 Settlement Agreement, including the fiscal year ended June 30, 2017. As of August 1, 2017, the Successor Agency owed the County approximately \$13.5 million under the 2011 Settlement Agreement (consisting of amounts not paid for prior fiscal years and the amount due June 30, 2018). It is anticipated that this amount due will be paid in full by June 30, 2018.

2017 Settlement Agreement. The City, the Successor Agency, and the County entered into a Settlement Agreement, effective August 18, 2017 (the “**2017 Settlement Agreement**”), resolving a lawsuit previously filed by the City and the Successor Agency described below.

The City, on its own behalf, and the Successor Agency filed a lawsuit on June 26, 2012, entitled *City of San Jose as Successor Agency to the San Jose Redevelopment Agency v. Vinod Sharma, County of Santa Clara, et al.*, Case No. 34-2012-8000190, in the Superior Court for Sacramento County (“**PERS Levy Lawsuit**”). The suit sought to compel the County Auditor-Controller to disburse funds to the Successor Agency which the Former Agency previously received as tax increment. In June 2012, the County began withholding a portion of defined tax increment claiming the withheld amounts were special levies, including the PERS Levy and the Water District Levy. The County asserted that, although it previously disbursed these funds to the Former Agency as tax increment, the Former Agency was never entitled to receive funds attributable to these levies. The lawsuit also sought to determine the priority of the County Pass-Through Payments under the Amended Agreement.

The Sacramento Superior Court ruled that the County Auditor-Controller could not withhold funds attributable to the PERS Levy from the Successor Agency and the Law did not require the County to subordinate the County Pass-Through Payments to any Former Agency debt other than secured bond debt. The Superior Court did not rule on the Water District Levy.

The City and County both appealed the Superior Court decision to the Third District Court of Appeal, Case No. C074539 (“**Court of Appeal**”). In November 2016, the Court of Appeal issued a decision finding that the PERS Levy tax increment was wrongfully withheld by the County prior to September 22, 2015 (the effective date of SB 107), and the issue of the withholding of that increment after that date would be the subject of a further trial court hearing. In addition, the Court of Appeal found that the County Pass-Through Payments were subordinate to bonded indebtedness of the Successor Agency, but not other Successor Agency debt based upon the express provisions of the Law.

The County subsequently submitted a petition for review to the California Supreme Court and, on February 1, 2017, the California Supreme Court denied the County’s petition for review.

Pursuant to the 2017 Settlement Agreement, among other things, the Successor Agency agreed not to pledge tax increment derived from the PERS Levy or the Water District Levy to the 2017 Bonds and any future indebtedness obligations. At the time the 2017 Settlement Agreement was entered into by the parties, the County was holding approximately \$31.9 million attributable to the PERS Levy and the Water District Levy. Pursuant to the 2017 Settlement Agreement, the City was reimbursed approximately \$12.9 million for the debt-related Successor Agency payments made in Fiscal Years 2011-12 through 2014-15 (leaving a City loan balance of approximately \$4.9 million), the Santa Clara Valley Water District was paid approximately \$0.3 million owing as AB1290 statutory pass-through, and the remaining approximately \$18.7 million was used to pay down amounts owed to the County as County Pass-Through Payments (leaving a balance owed to the County of approximately \$16.1 million, consisting of \$13.5 million owed under the 2011 Settlement Agreement and \$2.6 million owed under the Amended Agreement).

[[Subordination of County Pass-Through Payments. Under the Law, the Successor Agency may subordinate the County Pass-Through Payments to payment of bonds, and in connection with the issuance of the 2017 Bonds, the Successor Agency has followed the procedures for subordination set forth therein. The County has approved such subordination subject to a maximum annual debt service cap of \$_____.]]

Limited Obligation

The 2017 Bonds are limited obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal and interest from the tax increment revenues and other funds described in the Indenture. The principal of and interest on the 2017 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The principal of and interest on the 2017 Bonds are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the City Council nor any persons executing the 2017 Bonds are liable personally on the 2017 Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classifications. In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. 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 unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of such other liens.

Generally, ad valorem taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (e.g., cities, schools and special districts) that share in the ad valorem tax (each a taxing entity) and successor agencies eligible to receive distributions from the respective Redevelopment Property Tax Trust Funds.

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) 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, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. 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.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, on or about June 30 of the fiscal year, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes on property on unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning on varying dates related to the tax bill mailing date. It is the County’s practice to retain all such penalties and interest.

Rate of Collections – Teeter Plan. The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”). Consequently, secured property tax revenues from the Project Area do not reflect actual collections because the County allocates secured property tax revenues to the Successor Agency as if 100% of the calculated property taxes were collected without adjustment for delinquencies, redemption payments or roll adjustments. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the

Project Area. In that case, substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues securing the 2017 Bonds. As of May 8, 2017, the overall delinquency rate for all secured properties in the Project Area in Fiscal Year 2016-17 was 1.0%.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since Fiscal Year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

Prior to the enactment of this law, the assessment of such changes was permitted only as of the next tax lien date following the change, and this delayed the realization of increased property taxes from the new assessments for up to 14 months. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that Supplemental Assessments of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such Supplemental Assessments occur within the Project Area, tax increment revenues may increase.

Property Tax Administrative Costs. In 1990, the State Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to recover charges for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each, in an amount equal to the Fiscal Year 1989-90 property tax administration costs, as adjusted annually.

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents.

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 to be deducted from tax increment revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The combined property tax and AB x1 26 administration fees are estimated to amount to approximately \$2.6 million in Fiscal Year 2017-18, or approximately 0.92% of the tax increment revenue from the Project Area.

Article XIII A of the California Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of "full cash value" of such property, as determined by the county assessor. Article XIII A defines "full cash value" 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.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

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.

Article XIII A (i) exempts from the 1% tax limitation taxes to pay debt service on (a) indebtedness approved by the voters prior to July 1, 1978 or (b) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition; (ii) requires a vote of two-thirds of the qualified electorate to impose special taxes, or certain additional ad valorem taxes; and (iii) requires the approval of two-thirds of all members of the State Legislature to change any State tax laws resulting in increased tax revenues.

The validity of Article XIII A has been upheld by both the California Supreme Court and the United States Supreme Court.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do 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. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the State Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the State Legislature’s action, the growth of property tax revenues may decline.

Legislation enacted by the State Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter-approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

As noted above, under Article XIII A, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year. Each year the State Board of Equalization announces the applicable adjustment factor to be applied by county assessors to the “full cash value” of real property. Since the adoption of Article XIII A, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through Fiscal Year 2010-11 there were six occasions when the inflation factor was less than 2%.

Until Fiscal Year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in reductions to the adjusted base year value of parcels. The table below lists the inflation adjustment factors since Fiscal Year 2010-11.

Inflation Adjustment Factors

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998
2016-17	1.525
2017-18	2.000

Article XIII B of the California Constitution

Article XIII B limits the annual appropriations of the State and its political subdivisions to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriations limit is the 1978/79 Fiscal Year, and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Section 33678 of the Redevelopment Law provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by a redevelopment agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions. On the basis of these decisions, the Successor Agency has not adopted an appropriations limit.

Articles XIII C and XIII D of the California Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of the State. Proposition 218 added Articles XIII C and XIII D to the California Constitution. At an election held on November 2, 2010, Proposition 26, which amended certain provisions of Articles XIII C, was passed by the voters of the State. Provisions in the two articles affect the ability of local government to raise revenues. The 2017 Bonds are secured by sources of revenues that are not subject to limitation by Articles XIII C and XIII D of the California Constitution.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue

attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness issued by a taxing entity (not the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Because this provision is not retroactive, any bonded indebtedness approved prior to January 1, 1989 would continue to provide tax overrides to redevelopment agencies so long as such indebtedness remains outstanding. However, there is no pre-January 1, 1989 bonded indebtedness outstanding in the Project Area.

Unitary Property

Assembly Bill (“**AB**”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

Chapters 1457 and 921 provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

Appeals of Assessed Values

General. Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in a form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In the County, a property owner desiring to reduce the assessed value of such owner’s property in any one year must submit an application to the County Assessment Appeals Board (the “**Appeals Board**”). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor’s Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment.

The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for

which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as “ongoing hardship”), the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year as well.

Base Year Appeals. Appeals for reduction in the “base year” value of an assessment, which generally must be made within three years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for “ongoing hardship” in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the tax increment revenues attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

Proposition 8 Appeals. Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), 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 under this code section may be initiated by the County Assessor or requested by the property owner.

After a roll reduction is granted under this code section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it again became subject to the annual inflationary factor growth rate allowed under Article XIII A.

The Successor Agency cannot guarantee that reductions undertaken by the County Assessor or requested by a property owner pursuant to Proposition 8 will not in the future reduce the assessed valuation of property in the Project Area and, therefore, the Tax Revenues that secure the 2017 Bonds.

See “THE PROJECT AREA – Assessment Appeals and Assessor Reductions” for a summary of recent appeals and assessed value reductions by the County Assessor.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D and certain other propositions affecting the revenues of local government agencies were each adopted as measures which qualified for the ballot pursuant to the State’s initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency’s ability to expend revenues.

THE SUCCESSOR AGENCY

As described above, the Successor Agency was established by the City Council following dissolution of the Former Agency pursuant to the Dissolution Act.

Authority and Personnel

The City Manager of the City acts as the Executive Officer of the Successor Agency, the City's Director of Finance acts as the Chief Financial Officer of the Successor Agency and the City Attorney acts as the general counsel of the Successor Agency. An employee of the Former Agency serves as the Successor Agency's Managing Director and oversees two employees of the Successor Agency. City staff also provide administrative support to the Successor Agency.

Successor Agency Powers

All powers of the Successor Agency are vested in its members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City 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, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review and approval by DOF.

Status of Compliance with Dissolution Act

The Successor Agency completed the due diligence process and received its Finding of Completion on August 30, 2013.

The DOF approved the Successor Agency's Long Range Property Management Plan on September 8, 2014. The Long Range Property Management Plan details what the Successor Agency intends to do with its inventory of properties. Permissible uses include: sale of the property, use of the property to satisfy an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use.

The Successor Agency's current plan with respect to the wind-down of its activities is to sell the remaining real property owned by the Successor Agency by the end of Fiscal Year 2017-18, amounting to approximately 30 properties valued at approximately \$20 million. The portion of the Refunded Obligations allocable to the properties to be sold will be refunded by the Series 2017A-T Bonds on a federally taxable basis. See "REFUNDING PLAN." Thereafter, the only remaining activities for the Successor Agency will be paying debt service on bonded indebtedness (including the 2017 Bonds) and other enforceable obligations, and monitoring existing contractual agreements of the Successor Agency.

Audited Financial Statements

The Successor Agency's audited Basic Financial Statements for the fiscal year ended June 30, 2017 are attached as "APPENDIX C – INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR THE SUCCESSOR AGENCY AS OF JUNE 30, 2017." The Successor Agency's audited financial statements were audited by Grant Thornton LLP, San José, California (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

THE PROJECT AREA

General

The Merged Area Redevelopment Project was formed in 1981 from the merger of several existing project areas and subsequently amended to add other project areas. While a total of 21 redevelopment project areas were merged for the purpose of allocating certain tax increment revenues, only 17 of these component project areas were authorized to generate tax increment revenue.

The 17 components authorized to generate tax increment, referred to herein as the Project Area, can be grouped into two categories: (i) the industrial areas (consisting of the Rincon areas, Edenvale areas, and other areas), and (ii) the downtown areas (including the Diridon area, the newest area in downtown).

Industrial Areas. Three clusters of component project areas are in this category: Rincon, Edenvale and others.

- **Rincon.** The Rincon area includes four components comprising a total of 4,795 acres, adjacent to the Norman Y. Mineta San José International Airport and bounded by Routes 237, U.S. 101 and Interstate 880. It is served by light rail transit and other public transportation facilities operated by the Santa Clara Valley Transportation Authority (“VTA”) and is connected to the downtown by Route 87. This area contains one of Silicon Valley’s largest concentrations of businesses including research and development, office, manufacturing, light industrial, and warehouse uses. As of the third quarter of 2016, 135,000 jobs were located in Rincon, according to California Employment Development Department data, up approximately 25% from 2012, making it the City’s largest job center. Employers with more than 500 employees in Rincon, as of the third quarter of 2016, include Cisco Systems, Brocade Communications, Cadence Design Systems, Intel, Maxim Integrated Products, Samsung Electronics, Samsung Semiconductor, Lumileds Lighting, Micron Technology, Nimble Storage, Cypress Semiconductor, Flextronics, Synaptics, Tivo, F5 Networks and Sunpower. Sixteen of the top 20 taxpayers within the Project Area are located within Rincon. The four Rincon sub-areas of the Project Area generate approximately 70% of the Fiscal Year 2017-18 tax increment revenues.

During the 2012-2017 time frame, new construction in Rincon included a 650,000 square feet Samsung Semiconductor headquarters and office projects at 2904 Orchard Parkway and 60 E Brokaw Road. This area was first developed with low-density campuses in the 1960s and 1970s. More recently, some campuses were renovated and leased to tenants, including Toshiba, Verizon, and Silver Spring Networks. In 2016, the City approved a development agreement with Apple Inc., granting the company 15 years to develop up to 4.15 million square feet of industrial, office and research and development (“R&D”) space on 86 acres in Rincon. There are no assurances that Apple Inc. will build any or all of the development allowed in the agreement. Additional projects under construction in Rincon include a Hyatt House with 355 rooms, and two other hotels projected to have 114 rooms and 146 rooms.

- **Edenvale.** The Edenvale area has two component areas totaling 2,045 acres located 10 miles south of downtown near the intersection of Highway 101 and Route 85.

This area is served by Caltrain commuter rail service with its Blossom Hill Station on Monterey Highway, and VTA's light rail transit system that extends from downtown along Routes 87 and 85 to Edenvale, with stops at Cottle Road and Santa Teresa Boulevard. Current employers in Edenvale include IBM, IDT, Northrop Grumman, Soletron, Tyco Electronics, Power Integration, Stryker Endoscopy, Western Digital, Jabil, Teledyne, Celestica, Cobham, Benchmark Electronics, Barracuda Networks, General Electric, Ariosa Diagnostics, Photo Dynamics and Ionics. While the area is zoned primarily for industrial park uses (including research and development, office and manufacturing uses), a number of large multi-family housing and "big box" retail projects have been built. The two Edenvale sub-areas of the Project Area generate approximately 13% of the Fiscal Year 2017-18 tax increment revenues.

Edenvale has seen significant development since 2012. Expansions by Western Digital have added 335,000 square feet of R&D and office at the storage company's campus. This campus was formerly owned by IBM. (IBM, once the largest taxpayer in the Project Area, first developed its campus in 1956 to begin manufacturing the first hard-disk drives.) Portions of the former Western Digital campus have been transformed into the mixed-use Cottle Transit Village, which includes (i) residential uses such as the Vio Apartments, Ascent Apartments developed by Shea and Avenue One, for sale townhomes and condominiums under development by Lennar, and (ii) a 300,000-square-foot Target and Safeway anchored Village Oaks retail center opened in 2014. In addition, a 150,000 square foot Costco store opened in Cottle Transit Village in summer 2017, and a 100,000 square foot distribution center has recently been completed. New businesses locating in the area include Velodyne LiDAR, a maker of self-driving car sensors; a Silicon Valley branch of Northeastern University; contract-manufacturer BriteLab; the Jabil Blue Sky Center and Barracuda Networks.

- **Other industrial areas.** The other industrial areas consist of Julian-Stockton, Monterey Corridor and Olinder. These three areas, combined, generate approximately 5% of the Fiscal Year 2017-18 tax increment revenues.

Julian-Stockton is a 330 acre area located in the older portion of the central business district at the northern entrance to the downtown area. Three major projects in this area financed with tax increment revenues include the arena currently known as the SAP Center (where the San José Sharks play), the Guadalupe Parkway (Route 87) and the Guadalupe River Park. Employers in the area include Sharks Sports & Entertainment, PG&E, Gandiff Industries, Fire Clay Tile, Comerica Bank and Aramark. Land uses in this area are primarily light manufacturing, warehousing, small office and commercial.

Monterey Corridor is a 515 acre area that contains a major portion of the City's light and heavy industrial land. The area's employment profile includes auto-oriented uses, manufacturing, distribution and retail. Employers include UPS, US Healthworks, Walmart, Space Systems Loral, DC Electronics, San Jose Distribution Services, Off-Site Records Management and Sims Metal USA. While this area remains primarily industrial, since 2012 it has seen some diversification to commercial and residential land uses. In 2015, the Sun Garden Shopping Center, a Walmart-anchored 207,000 square-foot center, was completed in the area. In addition, The Pierce, a 230-unit apartment project opened in 2016.

Olinder is a 158 acre area at the intersection of U.S. 101 and Route 280 just south of downtown. In recent years, some light-industrial land uses have transitioned to retail uses, and the area now contains a Walmart Supercenter, the Vietnam Town shopping plaza and Grand Century Mall. Industrial employers in the area include Sun Basket (a meal-delivery service), HVAC-contractor Air Systems and Acosta Sheet Metal Manufacturing. During the 2012-2017 time period, the most significant development in the Olinder project area has been the expansion of Vietnam Town, a 299,740 square foot retail and office center situated on 19.59 acres. The final phase, which was reaching completion as of September 2017, includes 180,000 square feet of space and a four-level, 550-stall parking structure. The center's retail spaces are being sold as commercial condo units. Businesses occupying the spaces include restaurants, personal services, professional services, medical offices and general retail.

Downtown Areas. There are eight project areas within downtown, aggregating 326 total acres: Almaden Gateway, Pueblo Uno, Century Center, Park Center, San Antonio Plaza, Guadalupe-Auzerais, Market Gateway and Diridon.

These areas include older Class A and Class B office buildings, relatively new Class A office buildings, apartment towers, restaurants, retail stores, hotels, senior residential complexes, museums, theatres and the San José McEnery Convention Center. Over the last seven years, a number of large residential housing projects have been built and several more are planned in the downtown core.

During the 2012-2017 time period, new and expanding technology tenants, such as WeWork, Okta, Intacct and Xactly, leased office space in the downtown areas. In July 2017, Adobe Systems Incorporated ("**Adobe**") announced that it intends to expand its current headquarters in the Project Area by adding a fourth tower that could accommodate an additional 3,000 employees in 750,000 square feet; however, no definitive project or plans have been approved by the City. The downtown office vacancy rate has declined from 23% in the first quarter of calendar year 2012 to 10.6% in the third quarter of calendar year 2017, according to CBRE Research.

Currently, there are approximately 1,300 residential units under construction in the downtown area of the Project Area. The largest is the 643-unit Silvery Towers complex, which will be for-sale condominium units, followed by the 260-unit Graduate (student housing developed to serve as many as 800 students), 204-unit Modera, and 190-unit Marshall Squares. In addition to the approximately 1,300 residential units currently under construction, since 2012 the downtown area has seen an estimated completion of 698 units, including the 312-unit One South Market, which was completed in 2015. In addition, infrastructure improvements are underway for the North San Pedro project, which is planned for approximately 1,600 residential units in an area once filled with warehouses.




Diridon, the newest area in downtown, authorized to generate tax increment starting in 2009, includes the historic Diridon Station, that is currently served by CalTrain, VTA light rail, Altamont Corridor Express ("**ACE**") and Amtrak. In addition to these existing transit services, there are plans to locate both Bay Area Rapid Transit ("**BART**"), and high-speed rail at the Diridon Station. VTA, pursuant to an agreement with BART, plans to locate BART at the Diridon Station as part of the Silicon Valley Extension Phase II project with proposed completion by 2026. The California High-Speed Rail Authority has announced plans to locate high-speed rail at the Diridon Station to provide service to the Central Valley and Southern California. Neither

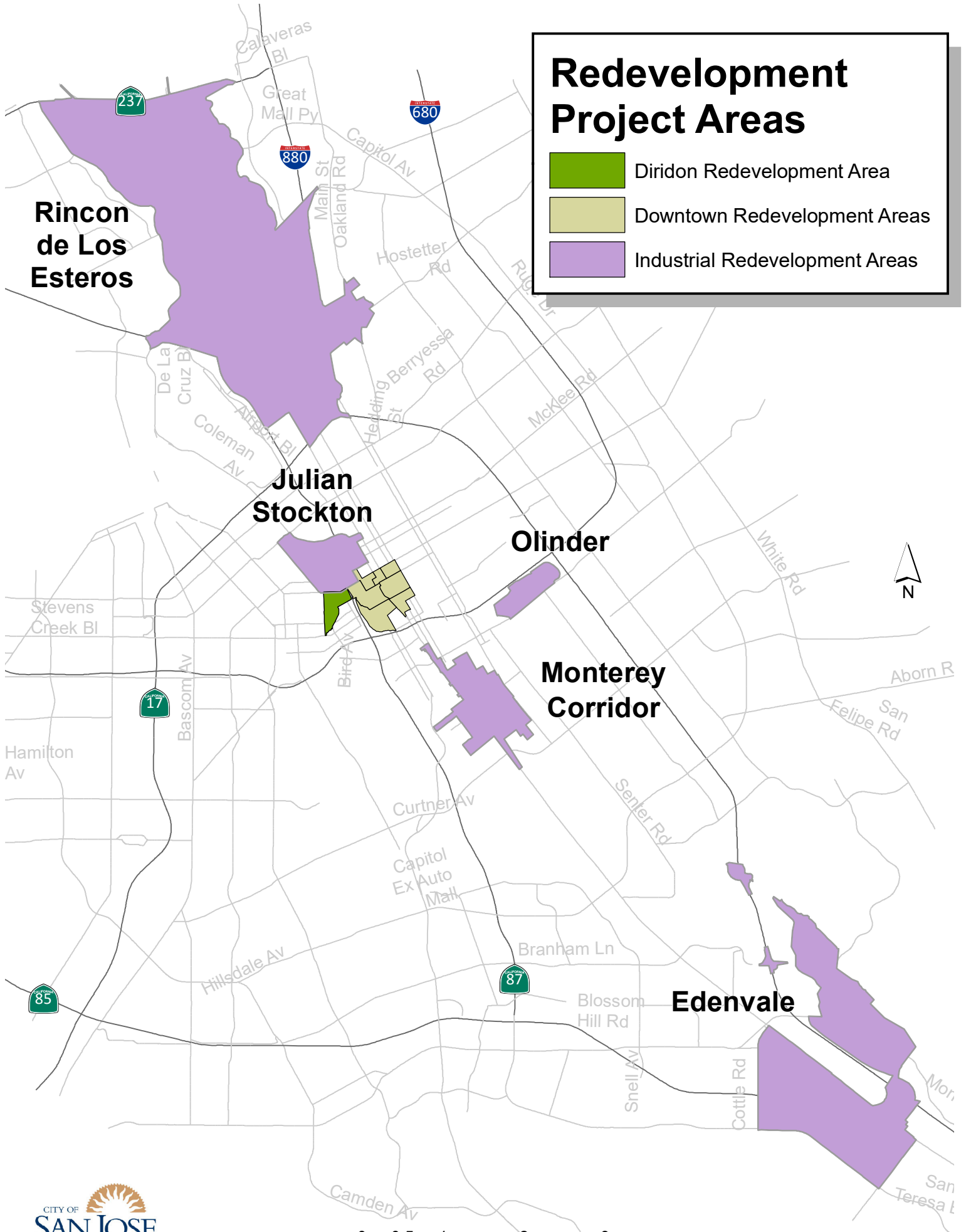
the BART nor the high-speed rail projects at the Diridon Station is fully funded and there is no assurance that such funding will be identified.

Two mixed-use buildings, totaling 332 residential units, are under construction in Diridon. Trammell Crow Co., a real estate developer, purchased a 8.3 acre site in the Diridon area in September 2015 from Adobe for \$58.5 million. Trammell Crow Co. has approved plans for 1 million square feet of office space (two towers of 12 and 13 stories), 325 residential units and 35,000 square feet of retail, including the renovation of the historic San José Water Company building. Additionally, pursuant to an Exclusive Negotiations Agreement dated June 20, 2017, the City and Google, Inc. are in discussions for the acquisition by Google Inc. of 16 parcels owned by the City or the Successor Agency for the development of a mixed-use transit oriented development in the Diridon Station area, but no specific development project has been approved to date.

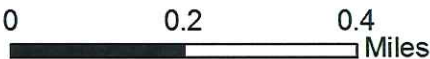
Maps. Maps showing the downtown and industrial areas in the Project Area follow on the next two pages.

Redevelopment Project Areas

-  Diridon Redevelopment Area
-  Downtown Redevelopment Areas
-  Industrial Redevelopment Areas



Downtown Project Areas



-  Diridon Redevelopment Area
 Downtown Project Areas

Created by Public Works 06/23/2017

DRAFT--Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

The following table sets forth the approximate size, plan adoption date, base year valuation, 2017-18 assessed valuation, base year valuation as a percentage of Fiscal Year 2017-18 assessed valuation, estimated Fiscal Year 2017-18 tax increment and relative share of Fiscal Year 2017-18 tax increment.

**TABLE 1
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Acreage and Tax Increment by Project Area Components**

Sub-Area	Acreage	Plan Adoption Date	Base Year Valuation	FY 2017-18 Assessed Valuation (AV) ⁽¹⁾	Base Year as % of FY 2017-18 AV	FY 2017-18 Tax Increment	% of FY 2017-18 Tax Increment
Industrial Areas							
Rincon Areas							
Rincon Expansion	1,224	7/3/1979	\$36,472,538	\$7,822,145,731	0%	\$77,856,732	27%
Rincon North	1,699	6/8/1982	20,098,096	5,325,928,654	0	53,058,306	19
Rincon Original	1,872	7/16/1974	109,115,148	4,408,582,779	2	42,994,676	15
Rincon South ⁽²⁾	-	6/8/1982	147,429,045	2,422,414,028	6	22,749,850	8
<i>Subtotal:</i>	4,795		\$313,114,827	\$19,979,071,192	2%	\$196,659,564	69%
Edenvale							
Edenvale	1,050	7/15/1976	\$275,286,204	\$2,960,322,236	9%	\$26,850,360	9
Edenvale East	995	9/1/1981	11,118,117	998,332,700	1	9,872,146	3
<i>Subtotal:</i>	2,045		\$286,404,321	\$3,958,654,936	7%	\$36,722,506	13%
Other Industrial Areas							
Julian Stockton	330	7/15/1976	\$74,204,098	\$847,342,325	9%	\$7,731,382	3
Monterey Corridor	515	12/13/1994	230,502,971	642,079,512	36	4,115,765	1
Olinder	158	7/15/1976	14,477,208	333,765,546	4	3,192,883	1
<i>Subtotal:</i>	1,003		\$319,184,277	\$1,823,187,383	18%	\$15,040,031	5%
Downtown Areas:							
San Antonio Plaza	50	1/3/1968	\$5,725,120	\$879,258,774	1%	\$8,735,337	3%
Park Center Plaza	61	7/24/1961	12,514,908	801,046,226	2	7,885,313	3
Guadalupe Auzerals	73	5/19/1983	16,650,517	674,135,419	2	6,574,849	2
Almaden Gateway	21	4/7/1988	93,132,038	662,755,560	14	5,696,235	2
Century Center	18	11/8/1983	12,758,532	275,026,130	5	2,622,676	1
Pueblo Uno	12	7/8/1975	21,292,173	271,390,105	8	2,500,979	1
Market Gateway	32	11/8/1983	15,200,771	242,453,282	6	2,272,525	1
Diridon ⁽³⁾	59	5/19/2009	80,838,277	81,811,074	99	9,728	0
<i>Subtotal:</i>	326		\$258,112,336	\$3,887,876,570	7%	\$36,297,642	13%
Total	8,169		\$1,176,815,761	\$29,648,790,081	4%	\$284,719,743	100%

(1) Fiscal Year 2017-18 assessed valuation includes secured and unsecured figures.

(2) Acreage combined for Rincon North/Rincon South.

(3) The Fiscal Year 2017-18 assessed valuation in the Diridon sub-area exceeded the sub-area's base valuation for the first time; the sub-area had not previously produced Tax Revenues.

Source: Urban Analytics, LLC.

Historic Assessed Value and Tax Increment

The following table sets forth historical information on assessed value, tax increment, supplemental assessments and tax increment with supplemental assessments for the Project Area from Fiscal Year 1995-96 through Fiscal Year 2017-18. See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT – HISTORICAL AND CURRENT ASSESSED VALUATION" for more information on assessed values.

TABLE 2
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Actual Assessed Value and Tax Increment from
Fiscal Year 1995-96 through Fiscal Year 2017-18
for the Project Area
(Amounts expressed in thousands)

Fiscal Year	Assessed Value ⁽¹⁾	Percentage Change	Tax Increment ⁽²⁾	Supplemental Assessments ⁽³⁾	Tax Increment with Supplementals	Percentage Change
1995-96	\$ 7,016,990	--	\$67,878	\$ 355	\$ 68,233	--
1996-97 ⁽⁴⁾	7,680,818	6.7%	74,372	1,650	76,020	11.4%
1997-98	9,292,365	21.0	91,113	5,100	96,213	26.6
1998-99	11,228,356	20.8	106,298	5,918	112,217	16.6
1999-00	12,382,598	10.3	119,982	9,734	129,717	15.6
2000-01	13,776,343	11.3	136,088	6,063	142,151	9.6
2001-02	17,879,595	29.8	175,926	12,533	188,459	32.6
2002-03	18,732,944	4.8	187,686	10,340	198,026	5.1
2003-04	16,962,642	(9.5)	168,502	1,706	170,208	(14.0)
2004-05	15,040,831	(11.3)	148,767	840	149,607	(12.1)
2005-06	15,015,576	(0.2)	148,328	1,491	149,819	0.1
2006-07	16,091,802	7.2	160,598	1,221	161,819	8.0
2007-08	18,053,654	12.2	179,763	5,179	184,942	14.3
2008-09	19,510,189	8.1	194,929	7,416	202,346	9.4
2009-10	20,003,431	2.5	197,559	4,850	202,409	0.0
2010-11	18,494,534	(7.5)	181,774	1,871	183,645	(9.3)
2011-12	18,153,377	(1.8)	170,554	(676)	169,898	(7.5)
2012-13	18,540,165	2.1	173,243	N/A	173,243	2.0
2013-14	20,767,090	12.0	193,140	N/A	193,140	11.5
2014-15	22,258,394	7.2	211,935	N/A	211,935	9.7
2015-16	24,473,485	10.0	222,305	8,800	231,105	9.0
2016-17	27,171,913	11.0	257,371	19,893	277,263	20.0
2017-18	29,648,790	9.1	284,839	N/A	284,839	N/A

(1) Total assessed value for the Project Area. Tax increment calculated on incremental assessed value, after subtracting base year assessed value from total assessed value. The current base year value for Fiscal Year 2017-18 is \$1,176,816, including the Diridon sub-area.

(2) Includes unitary roll revenue and property tax administration fees. For Fiscal Year 2012-13 and later, tax increment revenue excludes PERS Levy and Water District Levy and includes roll corrections (Fiscal Year 2017-18 roll corrections not yet available).

(3) Not reported for Fiscal Year 2012-13, 2013-14 and 2014-15; not yet available for Fiscal Year 2017-18. Supplemental revenue is a highly variable revenue source and is excluded from the projections.

(4) Includes Park Center, which was merged in 1996.

Source: The Successor Agency and Urban Analytics, LLC.

Land Use Within the Project Area

Current Land Uses. The following table sets forth the various land uses within the Project Area by assessed valuation as of Fiscal Year 2017-18. Component areas that do not generate tax increment revenue are not included.

**TABLE 3
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Land Uses in the Project Area
(Fiscal Year 2017-18)**

<u>Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>	<u>Number of Parcels</u>	<u>% of Total Parcels</u>
Secured and Utility				
Industrial	\$7,811,038,347	26.3%	1,070	8.7%
Commercial	7,909,788,401	26.7	1,025	8.3
Residential:				
Single-Family	335,478,498	1.1	568	4.6
Condo/Townhouse	1,858,463,410	6.3	3,406	27.7
Multi-Family, Other	5,949,934,721	20.1	1,209	9.8
Vacant	823,753,484	2.8	344	2.8
Other ⁽¹⁾	736,445,549	2.5	675	5.5
Total Secured and Utility	\$25,424,902,410	85.8%	8,297	67.6%
Unsecured ⁽²⁾	4,223,887,671	14.2	3,981	32.4
Total	\$29,648,790,081	100.0%	12,278	100.0%

(1) Includes utility roll valuation of \$262.0 million and the Homeowner Property Tax Relief (HOPTR) exemption of \$15.5 million.

(2) Unsecured property valuation is primarily industrial, with Cisco Systems comprising \$1.2 billion of the total shown. Source: County of Santa Clara; Urban Analytics, LLC.

Changes in Land Use. Historically, the primary land uses in the Project Area were industrial uses, followed by commercial uses and the unsecured values associated with each; residential uses represented a modest portion of assessed value. Over the past ten years, the mix of land uses in Rincon, Edenvale and the downtown areas of the Project Area has changed with increased residential and commercial uses, increasing assessed values, as shown in the table below.

Since Fiscal Year 2007-08, Project Area assessed value has increased by approximately \$11.6 billion, with residential uses increasing by approximately \$5.8 billion, commercial uses increasing by approximately \$3.7 billion and industrial uses increasing by approximately \$1.3 billion.

TABLE 4
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Total Assessed Value by Land Use in the Project Area
Fiscal Years 2007-08 and 2017-18
(Dollars in Millions)

Land Use	FY 2007-08		FY 2017-18		AV Change from FY 2007-08 to FY 2017-18	
	Assessed Valuation	Percent of Total	Assessed Valuation	Percent of Total	Assessed Valuation	As % of FY 2007-08
Secured And Utility						
Industrial	\$6,552	36.3%	\$7,811	26.3%	\$1,259	19.2%
Commercial	4,171	23.1	7,910	26.7	3,739	89.6
Residential	2,373	13.1	8,144	27.5	5,771	243.2
Vacant	513	2.8	824	2.8	311	60.6
Other ⁽¹⁾	340	1.9	736	2.5	397	116.7
Total Secured and Utility	\$13,948	77.3%	\$25,425	85.8%	\$11,476	82.3%
Unsecured ⁽²⁾	4,105	22.7	4,224	14.2	118	2.9
Total	\$18,054	100.0%	\$29,649	100.0%	\$11,595	64.2%

(1) Includes utility roll valuation and the Homeowner Property Tax Relief exemption.

(2) Unsecured property valuation is primarily industrial.

Source: County of Santa Clara; Urban Analytics, LLC.

Twenty Largest Taxpayers

The table on the following page lists the 20 largest taxpayers in the Project Area and each property owner's percent of the total assessed value and incremental value in the Project Area; the total estimated Fiscal Year 2017-18 assessed value of the 20 largest taxpayers is approximately \$9.8 billion.

See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT – LARGEST ASSESSEES" and "– FACTORS AFFECTING FUTURE ROLL VALUATIONS – Assessment Appeals" for more information on the 20 largest taxpayers in the Project Area. See "BONDHOLDER RISKS – Concentration of Ownership" for a discussion regarding the risks associated with the concentration of ownership among the largest property taxpayers in the Project Area.

See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT" for a table (Table 9 therein) showing changes in assessed values for the 20 largest taxpayers between Fiscal Year 2016-17 and Fiscal Year 2017-18 and for a table (Table 10 therein) showing changes in aggregate assessed values for the 10 largest taxpayers from Fiscal Year 2003-04 through Fiscal Year 2017-18.

In Fiscal Year 2017-18, The Irvine Company surpassed Cisco as the largest taxpayer in the Project Area.

TABLE 5
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
MERGED AREA REDEVELOPMENT PROJECT
Twenty Largest Taxpayers In the Project Area
(Fiscal Year 2017-18)

<u>Property Owner</u>	<u>Industry/Use</u>	<u>Parcels</u>	<u>Secured and Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% of Total AV</u>	<u>% of Incr. AV</u>
1. The Irvine Company ⁽¹⁾⁽²⁾	Multi-Family Housing	31	\$2,501,450,098	\$117,566	\$2,501,567,664	8.4%	8.8%
2. Cisco Systems ⁽¹⁾⁽³⁾	Technology	62	1,149,979,973	1,189,638,191	2,339,618,164	7.9%	8.2%
3. Western Digital (fka Hitachi and HGST) ⁽¹⁾	Computer Manufacturing	3	417,732,758	2,997,415	417,732,758	1.4%	1.5%
4. Apple Inc.	Technology	11	328,564,211	86,544,778 ⁽⁴⁾	415,108,989	1.4%	1.5%
5. Adobe Systems ⁽¹⁾⁽³⁾	Software	5	400,748,685	1,765,199	402,513,884	1.4%	1.4%
6. Samsung Semiconductor Inc. ⁽³⁾	Computer R&D	2	388,236,696	198,868	388,435,564	1.3%	1.4%
7. Equity Tasman Apts LLC (Vista 99 Apts)	Multi-Family Housing	1	298,643,402	-	298,643,402	1.0%	1.0%
8. Hudson Concourse LLC (224 Airport Pkwy)	Office	3	295,953,879	-	295,953,879	1.0%	1.0%
9. Brocade Communications Systems ⁽¹⁾⁽³⁾	Tech Storage	4	270,629,384	-	270,629,384	0.9%	0.9%
10. Paypal Inc. ⁽³⁾	Electronic Payments	4	259,414,703	1,231,386	260,646,089	0.9%	0.9%
11. Altera Corporation ⁽³⁾⁽⁵⁾	Computer Manufacturing	6	256,104,254	-	256,104,254	0.9%	0.9%
12. Los Esteros Critical Energy Facility	Power Plant	3	250,570,408	-	250,570,408	0.8%	0.9%
13. ICS Transit Vil Prop Owner LLC	Multi-Family Housing	2	236,949,494	1,955,492	238,904,986	0.8%	0.8%
14. New Century Towers LLC	Multi-Family Housing	1	225,968,621	-	225,968,621	0.8%	0.8%
15. Fairview Tasman LLC (Verdant Apts)	Multi-Family Housing	1	223,492,370	-	223,492,370	0.8%	0.8%
16. KBSII Corporate Technology Centre (1 Almaden)	Office	8	219,672,541	-	219,672,541	0.7%	0.8%
17. Cadence Design Systems ⁽³⁾	Software	6	216,080,873	-	216,080,873	0.7%	0.8%
18. CMK LLC (Innovation Place)	R&D/Office	4	211,140,000	-	211,140,000	0.7%	0.7%
19. Vista Montana Park Apt. Holdings (Domain Apts)	Multi-Family Housing	1	197,843,006	-	197,843,006	0.7%	0.7%
20. Park Center Plaza Investors LP	R&D/Office	5	188,570,518	-	188,570,518	0.6%	0.7%
Subtotal, Top Ten:		126	\$6,311,353,789	\$1,282,493,403	\$7,593,847,192	25.6%	26.7%
Subtotal, Top Twenty:		163	8,537,745,874	1,284,448,895	9,822,194,769	33.1%	34.5%
Project Area Total:		8,123	\$25,424,902,410	4,223,887,671	29,648,790,081	100.0%	100.0%

(1) Owner has one or more appeals pending.

(2) Ninety-five percent of the Fiscal Year 2017-18 assessed value for this property owner is attributable to four large residential developments: Crescent Village (\$752.2 million), North Park (\$715 million), River View (\$662.5 million) and River Oaks (\$215.9 million).

(3) Company headquarters located in the Project Area.

(4) Apple Inc. has \$86,544,778 of assessed value on the unsecured roll, spread across 6 parcels.

(5) Altera Corporation was acquired by Intel in October 2017.

Source: County of Santa Clara; Urban Analytics, LLC.

Since Fiscal Year 2007-08, the assessed value of property owned by the top 10 property owners in the Project Area increased from \$6.5 billion to \$7.6 billion; at the same time, the relative share of assessed value of property owned by the top 10 property owners in the Project Area declined from 36.2% in Fiscal Year 2007-08 to 25.6% in Fiscal Year 2017-18. Five of the top ten largest assessees (Cisco, Adobe, Samsung Semiconductor, Brocade Communications Systems and PayPal) maintain their corporate headquarters in the City. Several property owners have recently been expanding their presence in the Project Area, resulting in increased assessed values of those properties.

The following discussion provides a brief overview of the top five property owners, representing approximately \$6.1 billion (or approximately 21% of assessed value in Fiscal Year 2017-18).

The Irvine Company. The Irvine Company (“**Irvine**”) has a total property valuation of approximately \$2.5 billion, or 8.3% of total Project Area valuation. Irvine is a privately-held housing developer and property manager. Irvine has 31 properties, primarily apartment complexes, in the Rincon areas, including four large residential complexes: River View, Crescent Village, North Park and River Oaks. The assessed value of Irvine’s parcels has increased by \$1.69 billion since 2013, as a result of the purchase and development of multifamily residential housing on 16 different parcels. Irvine holds title to its properties through a variety of limited liability company entities; however, all have been grouped together for this Official Statement.

Cisco Systems. Cisco Systems, Inc. (“**Cisco**”) has a total property valuation of approximately \$2.3 billion, or 7.9% of total Project Area valuation on 62 properties. Cisco manufactures and sells networking and communications products and provides services associated with that equipment and its use. The company has been headquartered in San José since 1994. The unsecured valuation for Fiscal Year 2017-18 is approximately \$1.1 billion.

Over a five-year span from Fiscal Year 2013-14, Cisco’s total assessed valuation decreased from \$2.5 billion to \$2.3 billion. For Fiscal Year 2017-18, Cisco experienced a \$207.1 million, or 8.1%, decrease in assessed valuation; this decrease was largely on the unsecured roll and follows an increase of \$191.2 million between Fiscal Year 2015-16 and Fiscal Year 2016-17, also largely on the unsecured roll. In Fiscal Year 2013-14, Cisco sold 8 parcels, developed with 13 buildings which had a combined secured valuation of \$107.7 million, to TMG Partners and Fortress Investment Group in the Project Area; this sale was preceded by a decrease in unsecured assessed valuation of \$800 million from Fiscal Year 2011-12 on one of the parcels sold, as Cisco vacated the property for sale. The reassessment of these properties upon the change in ownership resulted in a \$46.1 million increase in assessed value in the Project Area.

In the past 10 years as Project Area assessed value has grown, Cisco’s share of total Project Area assessed value has declined from 15% to 8%.

Western Digital (formerly known as Hitachi and HGST). Western Digital owns its 176-acre campus off Highway 85 and Cottle Road, where it conducts research and development, and produces storage products. The company employs approximately 3,000 people in total at several facilities in the City. It recently completed two new buildings, totaling 335,000 square feet, one of which is the company’s new headquarters (Western Digital had been previously based in Irvine, California). Western Digital has reduced the size of its campus as it replaces older buildings with higher density, more geographically compact buildings.

Portions of the former campus were sold and have been developed into a mix of retail, residential and data-center uses in what is commonly referred to as the Cottle Transit Village.

Apple Inc. Apple Inc. owns or leases (with an option to acquire) 86.35 acres along Orchard Parkway in the Rincon Original sub-area. Apple Inc. is an technology company headquartered in Cupertino, California, that designs, develops, and sells consumer electronics, computer software and online services. The company has entitlements to develop with up to 4.15 million square feet of office, research and development, manufacturing and related uses. In addition, the company has an additional six properties on the unsecured roll. The Fiscal Year 2017-18 assessed valuation of these eleven properties is \$415.1 million, or 1.4% of total Project Area valuation. The assessed value of the company's properties increased by \$200.7 million between Fiscal Year 2016-17 and Fiscal Year 2017-18.

Adobe. Adobe moved into downtown San José in the mid-1990s. The company, which makes software used in graphic design and photography industries, owns and occupies about 1 million square feet of space in three office towers and employs approximately 2,500 people. During the summer of 2017, it completed a renovation of its existing space, updating the interior design and adding amenities, including an employee café on the ground floor. In July 2017, Adobe announced that it intends to expand its current headquarters in downtown San José by adding a fourth tower that could accommodate an additional 3,000 employees in 750,000 square feet; however no definitive project or plans have been approved by the City.

For information on these and other top property owners in the Project Area, see "APPENDIX A – REPORT OF THE FISCAL CONSULTANT."

Historic Assessed Valuations in the Project Area

The current year assessed value of the Project Area is \$29.6 billion. The following table sets forth historical information on assessed value by property type for the Project Area. See “APPENDIX A – REPORT OF THE FISCAL CONSULTANT – HISTORICAL AND CURRENT ASSESSED VALUATION” for more information on assessed values. See “APPENDIX A – REPORT OF THE FISCAL CONSULTANT” for a description of recent changes in the assessed value of property in the Project Area.

TABLE 6
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Historic Assessed Valuations in the Project Area
(In Thousands of Dollars)

Roll	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
<i>Secured</i>					
- Land	\$6,094,816	\$6,393,046	\$6,830,195	\$7,551,718	\$8,371,055
- Improvements	10,104,241	11,157,050	13,047,680	14,902,850	16,673,257
- Personal Property	724,885	1,104,163	1,077,419	1,064,723	912,935
- Exemptions ⁽¹⁾	(444,093)	(643,257)	(670,040)	(722,187)	(794,348)
Secured Total ⁽¹⁾	16,479,849	18,11,02	20,285,254	22,797,104	25,162,899
<i>Unsecured</i>					
- Land	11,938	--	--	--	--
- Improvements	948,095	1,005,865	1,070,373	1,062,313	1,322,537
- Personal Property	3,135,625	2,997,769	2,868,822	3,114,412	2,966,317
- Exemptions	(68,114)	(68,441)	(59,752)	(78,795)	(64,967)
Unsecured Total ⁽¹⁾	4,027,544	3,935,193	3,879,443	4,097,930	4,223,888
<i>Utility</i>					
- Land	38,994	42,624	41,512	33,828	33,828
- Improvements	220,704	269,576	267,276	243,051	228,176
- Personal Property	--	--	--	--	--
- Exemptions	--	--	--	--	--
Utility Total	259,698	312,200	308,788	276,879	262,004
Totals:	\$20,767,091	\$22,258,395	\$24,473,485	\$27,171,913	\$29,648,790

(1) Total secured and unsecured valuations are shown net of the Homeowner's Property Tax Relief (HOPTR) exemption, which is reimbursed by the State.

Source: County Assessor.

Assessment Appeals and Assessor Reductions

General. Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county assessment appeals board (a “**Proposition 8**” appeal). In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value. See “PROPERTY TAXATION IN CALIFORNIA – Appeals of Assessed Values” for information regarding appeals and reductions in assessed values.

Historical Assessment Appeals. The following table lists the assessment appeal results with respect to the Project Area for Fiscal Years 2010-11 through 2016-17. Appeals for Fiscal Year 2016-17 are included to the extent that they have been recorded by the Assessment Appeals board, reported to the Assessor's Office and provided to the Successor Agency. The assessment appeals information presented in the following table is based on information made available to the Successor Agency by the County Assessor's Office on May 17, 2017. See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT – FACTORS AFFECTING FUTURE ROLL VALUATIONS – Assessment Appeals" for more information. This table does not include the Diridon sub-area, as Diridon did not generate Tax Revenues through Fiscal Year 2016-17.

TABLE 7
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Assessment Appeals Results ⁽¹⁾

Fiscal Year	Total Filings	Resolved Appeals					Pending Appeals			
		# Resolved	Assessed Value	Applicant Value	Resolved Value	% Value Retained	# Pending	Assessed Value	Applicant Value	Contested Value
2010-11	990	972	\$8,155,812,491	\$4,488,627,926	\$7,219,706,601	88.5%	18	\$1,217,681,206	\$475,237,696	\$742,443,510
2011-12	754	738	8,696,216,603	5,321,737,299	8,338,297,612	95.9%	16	844,964,217	446,151,360	398,812,857
2012-13	578	549	7,268,398,808	4,123,445,518	7,163,238,881	98.6%	29	2,745,832,922	1,538,630,179	1,207,202,743
2013-14	526	487	6,739,224,431	3,450,658,572	6,595,507,747	97.9%	39	2,163,712,125	1,272,667,139	891,044,986
2014-15	459	397	5,285,955,116	2,701,568,071	5,285,094,752	100.0%	62	3,425,515,362	2,343,274,836	1,082,240,526
2015-16	275	185	3,458,056,401	2,016,710,461	3,450,819,037	99.8%	90	3,965,453,682	2,149,605,527	1,815,848,155
2016-17	307	34	1,099,206,599	595,358,029	1,099,151,599	100.0%	273	6,732,679,529	3,974,131,065	2,758,548,464
Total	3,889	3,362	\$40,702,870,449	\$22,698,105,876	\$39,151,816,229	96.2%	527	\$21,095,839,043	\$12,199,697,802	\$8,896,141,241

(1) Percent of Value Retained is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the Final Resolved Value into the County Value. For withdrawn and denied appeals, the Resolved Value is the original County valuation.

Data provided by the County Assessor's Office on May 17, 2017.

Source: County of Santa Clara, Urban Analytics, LLC.

The Fiscal Consultant projected the impact of pending appeals by applying the percentage of original enrolled valuation retained following the resolution of appeals (the retention rate) to the amount of original enrolled valuation for pending appeals. Overall, as of May 17, 2017, there are 527 appeals pending in the Project Area during the period shown in the table above with an enrolled valuation of \$21.1 billion. The overall retention rate for appeals resolved during Fiscal Years 2010-11 to 2016-17 is 96.2%, with \$39.2 billion in valuation retained out of \$40.7 billion in roll valuation. Applying this rate to the enrolled valuation for pending appeals results in an estimated \$803.9 million in reduced prior-year valuation, or approximately \$8.0 million in tax increment revenues to the Successor Agency, including parcels that were appealed in multiple years. The maximum impact from pending appeals, which would occur if the full amount of disputed valuation were granted, would be approximately \$89.0 million in tax increment revenues to the Successor Agency, again including parcels that were appealed in multiple years.

The aggregate \$1.55 billion in valuation reduced through the appeals process during Fiscal Years 2010-11 to 2016-17 equates to approximately \$15.5 million in property tax increment (the Assessor, when applying the assessment appeal refunds to the Successor Agency's revenue, does so using only the 1% County-wide tax rate).

Proposition 8 Reductions. For the 2016-17 roll year, the assessor applied Proposition 8 reductions to 6,509 parcels in the City in response to economic conditions (data for the Project Area was not separately reported). These temporary reductions are reviewed annually, and as market conditions improve, may be partially or fully restored to their factored base year value (properties that are sold are reassessed at the sales price and are no longer assessed under Proposition 8). The number of reductions is lower than the 14,679 parcels reported citywide for Fiscal Year 2015-16.

The 6,509 Proposition 8 parcels in the City received decreases totaling \$1.3 billion in assessed valuation in Fiscal Year 2016-17, relative to what their assessed valuation would have been in the absence of a Proposition 8 reduction; citywide reductions for Fiscal Year 2015-16 totaled \$2.5 billion.

The Fiscal Consultant reports that the Proposition 8 reductions from prior years appear to have been fully or partially restored for some properties. Although the Assessor does not identify individual parcels subject to Proposition 8 reductions on the county rolls, properties that received increases in land assessed valuation or in the assessed valuation of structures without also having a change in ownership, and which had previously received substantial reductions in valuation, are likely to have received those increases through restoration of valuation previously reduced under Proposition 8. See "APPENDIX A – REPORT OF THE FISCAL CONSULTANT FACTORS AFFECTING FUTURE ROLL VALUATIONS – Proposition 8 Assessment Reductions" for additional information.

Projected Tax Revenues and Estimated Debt Service Coverage

The Fiscal Consultant on behalf of the Successor Agency prepared projections of Tax Revenues assuming 2% incremental growth in assessed values commencing in Fiscal Year 2017-18 and each fiscal year thereafter and they are shown in Table 8. The projections exclude plan limits as permitted under the Dissolution Act. Table 8 presents tax revenues available for debt service on the 2017 Bonds, based on the 1% County-wide tax levy and excludes the PERS Levy and Water District Levy, which are not pledged to the 2017 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – Pledge of Tax Revenues to 2017 Bonds Under the Indenture,” “ – No Pledge of Override Levies” and “ – The County Pass-Through Payments – 2017 Settlement Agreement.”

Gross tax increment revenue is shown as the total amount of tax increment revenue generated in the Project Area from secured, unsecured and utility properties, while net tax increment revenue includes unitary revenue and deducts prior-year roll corrections and the property tax administration fee charged by the County. Other assumptions made by the Fiscal Consultant in calculating the projected Tax Revenues in Table 9 are described in the Fiscal Consultant’s Report. See “APPENDIX A – REPORT OF THE FISCAL CONSULTANT – Tax Increment Revenue Projections.”

Based on estimated debt service on the 2017 Bonds and other assumptions reflected in the projections of Tax Revenues in Table 8 and Table 9 of this Official Statement and the report of the Fiscal Consultant, the Successor Agency projects that assessed values for fiscal year 2017-18 in the Project Area can withstand a proportionate permanent loss across each component area of the Project Area of approximately \$17 billion* (or 58%*) of Fiscal Year 2017-18 assessed values before Tax Revenues from the Project Area would be insufficient to pay estimated debt service on the 2017 Senior Bonds for in any fiscal year, and can withstand a proportionate permanent loss across each component area of the Project Area of approximately \$13 billion* (or 45%*) of Fiscal Year 2017-18 assessed values before Tax Revenues from the Project Area would be insufficient to pay estimated debt service on the 2017 Bonds in any fiscal year.

* Preliminary; subject to change.

TABLE 8
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
MERGED AREA REDEVELOPMENT PROJECT
Projection of Assessed Values, Tax Increment and Tax Revenues
(2% Annual Growth)
(000s Omitted)

Fiscal Year Ended June 30	Total Assessed Valuation ⁽¹⁾	Base Year Assessed Valuation ⁽²⁾	Incremental Assessed Valuation	Tax Increment ⁽³⁾	Unitary Roll Revenue ⁽⁴⁾	Less County Admin. Fees ⁽⁵⁾	Tax Revenues Available for Debt Service
2018	\$29,648,790	\$(1,176,816)	\$28,471,974	\$284,720	\$2,762	\$(2,643)	\$284,839
2019	30,139,029	(1,176,816)	28,962,214	289,622	2,762	(2,698)	289,687
2020	30,639,074	(1,176,816)	29,462,258	294,623	2,762	(2,753)	294,631
2021	31,149,119	(1,176,816)	29,972,303	299,723	2,762	(2,810)	299,675
2022	31,669,364	(1,176,816)	30,492,549	304,925	2,762	(2,868)	304,820
2023	32,200,015	(1,176,816)	31,023,200	310,232	2,762	(2,927)	310,067
2024	32,741,279	(1,176,816)	31,564,463	315,645	2,762	(2,987)	315,420
2025	33,293,368	(1,176,816)	32,116,553	321,166	2,762	(3,048)	320,879
2026	33,856,499	(1,176,816)	32,679,683	326,797	2,762	(3,111)	326,448
2027	34,430,893	(1,176,816)	33,254,077	332,541	2,762	(3,175)	332,128
2028	35,016,774	(1,176,816)	33,839,958	338,400	2,762	(3,240)	337,922
2029	35,614,373	(1,176,816)	34,437,557	344,376	2,762	(3,306)	343,831
2030	36,223,924	(1,176,816)	35,047,108	350,471	2,762	(3,374)	349,859
2031	36,845,666	(1,176,816)	35,668,850	356,689	2,762	(3,443)	356,007
2032	37,479,843	(1,176,816)	36,303,027	363,030	2,762	(3,514)	362,278
2033	38,126,704	(1,176,816)	36,949,888	369,499	2,762	(3,586)	368,675
2034	38,786,501	(1,176,816)	37,609,685	376,097	2,762	(3,659)	375,200
2035	39,459,495	(1,176,816)	38,282,679	382,827	2,762	(3,734)	381,855
2036	40,145,948	(1,176,816)	38,969,132	389,691	2,762	(3,810)	388,643

- (1) Total assessed valuation includes secured, unsecured and utility. The assessed valuation in years after Fiscal Year 2017-18 is shown with increases from the annual inflationary adjustments under Proposition 13 at the statutory maximum of 2% and no increase or decrease in assessed valuation from new development, property sales, Proposition 8 assessment adjustments or other causes. The annual growth rate is applied to assessed valuation; the resulting annual rate of growth in tax increment is slightly higher as it is based on only a portion of assessed valuation (the amount over the base year valuation). See Table 17 to Report of Fiscal Consultant included as APPENDIX A for additional assumptions.
- (2) Includes base year valuation for Diridon, which began producing tax increment in Fiscal Year 2017-18.
- (3) Based on 1.00% of incremental value; does not necessarily equal amount that will be collected.
- (4) Unitary Roll Revenue estimate for each fiscal year based on estimated amount for Fiscal Year 2017-18.
- (5) County Administrative Fees includes the property tax administration fee which is calculated as a percentage of tax increment per Revenue and Tax Code 95.3 and the redevelopment dissolution administration fee which is a cost-recovery charge applied by the County Auditor-Controller per Health and Safety Code Section 34182 and is projected here as a percentage of property tax revenue based on the actual charge for Fiscal Year 2016-17.

Source: County Assessor; Urban Analytics LLC.

TABLE 9
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
MERGED AREA REDEVELOPMENT PROJECT
Estimated Debt Service Coverage
(000s Omitted)

Fiscal Year Ended June 30 ⁽¹⁾	Tax Revenues Available for Debt Service ⁽²⁾	Aggregate Debt Service on 2017 Senior Bonds ^{(3)*}	Debt Service Coverage on 2017 Senior Bonds ^{(4)*}	Aggregate Debt Service on 2017 Bonds ^{(5)*}	Debt Service Coverage on 2017 Bonds ^{(6)*}
2018	\$284,839				
2019	289,687				
2020	294,631				
2021	299,675				
2022	304,820				
2023	310,067				
2024	315,420				
2025	320,879				
2026	326,448				
2027	332,128				
2028	337,922				
2029	343,831				
2030	349,859				
2031	356,007				
2032	362,278				
2033	368,675				
2034	375,200				
2035	381,855				
2036	388,643				

(1) Tax Revenues shown on a fiscal year basis, while debt service is shown on a bond year basis ending on August 1 following fiscal year end.

(2) Tax Revenues shown are calculated in Table 8, above.

(3) Equal to preliminary estimated debt service on 2017A Bonds and 2017A-T Bonds.

(4) Equal to Tax Revenues divided by preliminary estimated debt service on 2017 Senior Bonds.

(5) Equal to preliminary estimated combined debt service on 2017 Senior Bonds and 2017 Subordinate Bonds.

(6) Equal to Tax Revenues divided by preliminary estimated combined debt service on 2017 Senior Bonds and 2017 Subordinate Bonds.

* Preliminary; subject to change.

Source: County Assessor; Urban Analytics LLC; Underwriters.

BONDHOLDER RISKS

The following discussion of Bondholder risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2017 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the investment quality of the 2017 Bonds.

Reduction in Taxable Value

Tax increment revenue allocated to the Successor Agency (and, accordingly, Tax Revenues pledged to the payment of the 2017 Bonds) is determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency's control, such as a downturn in the local economy, relocation out of the Project Area by one or more major property owners, sale of property to a nonprofit corporation or public entity exempt from property taxation, or the complete or partial destruction of such property caused by earthquake or other natural disasters, could cause a reduction in the Tax Revenues that secure the 2017 Bonds. Such reduction could have an adverse effect on the Successor Agency's ability to make timely payments of principal of and interest on the 2017 Bonds.

As described in greater detail under "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the California Constitution" above, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such adjustment is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the 2017 Bonds could reduce Tax Revenues securing the 2017 Bonds.

In addition to the other limitations on and State required set-asides of tax increment revenue described in this Official Statement, and in addition to the changes implemented by the Dissolution Act, the State electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing tax increment revenues payable to the Successor Agency (and Tax Revenues available for debt service on the 2017 Bonds). There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the security of the 2017 Bonds.

For a description of the amount by which assessed values could decline in the Project Area before Tax Revenues from the Project Area would be insufficient to pay debt service on the 2017 Senior Bonds and the 2017 Subordinate Bonds, respectively, see "THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage."

Development Risks

General. The Successor Agency's ability to make payments on the 2017 Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate development projects. Real estate development operations may be adversely affected by

changes in general economic conditions, fluctuations in the real estate market and interest rates, unexpected increases in development costs and by other similar factors. Further, real estate development operations within the Project Area could be adversely affected by limitations of infrastructure or future governmental policies, including governmental policies to restrict or control development. In addition, if there is a decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or petition to reduce assessed valuation causing a delay in or even stop to the receipt of Tax Revenue by the Successor Agency from the Project Area.

The Project Area experienced declines in assessed valuation during Fiscal Years 2003-04 through 2005-06 as a result of a weakening local economy and again during Fiscal Years 2009-10 through 2011-12 as a result of the national economic recession. See “APPENDX A – REPORT OF THE FISCAL CONSULTANT.” The technology business sector contributes significantly to the Silicon Valley economy, including property values within the Project Area. At various times, the contraction of the technology business sector has led to significant reductions in property values both in Silicon Valley and in the Project Area. The continued importance of technology business to the area economy may continue to affect property values.

Historical patterns in the Project Area suggest that assessed value increases and decreases in the Project Area may lag economic conditions. For example, assessed values in the Project Area continued to increase for two fiscal years following the significant economic decline that began in April 2000 (commonly referred to as the “dot com bust”).

Airport-Related Risks. Downtown San José is directly under the primary aircraft approach and departure paths for the Norman Y. Mineta San José International Airport. Historically, in the review of proposed high-rise building projects, the City has relied upon the Federal Aviation Administration (“FAA”)’s issuance of a project-specific “No Hazard Determination” as the finding that the development would not adversely impact airspace or airport operations. However, airlines must satisfy other, often more-restrictive, safety criteria mandated by the FAA (commonly referred to as “one engine inoperative” or “OEI” procedures) that may constrain airlines’ ability to economically operate due to high-rise buildings and/or impact high-rise development in the downtown project areas. The City has been reviewing the potential impacts of OEI procedures for several years, and staff has considered but not yet proposed amendments to the City’s general plan to limit building heights downtown and in other parts of the City that are in the takeoff path. Because of the proximity of the airport to downtown San José, the airport’s activities could impact the development of further downtown high rise development.

In June 2017, the City Council approved the Mayor’s recommendation that the City engage in a process to re-evaluate a prior Airport obstruction study from 2006 with a goal of determining if changes can be made – consistent with FAA and airline safety requirements – to maximize development densities in the downtown. City staff was directed to provide an update on its re-evaluation of the prior Airport obstruction study to one of the City Council’s committees in Spring of 2018. The City is unable to predict the outcome of this re-evaluation.

Governmental Policy Risks. Development in the City may be limited by the City’s General Plan and subordinate land use policies that could affect when land may be developed for particular uses, particularly residential development. Additionally, the City charges a number of area wide mitigation fees in addition to project-specific mitigation fees and may consider the imposition of other fees. Other issues, such as the availability of water supply to certain areas

of the City, may also adversely affect the pace of development. See “–Water Supply Risks” below.

Water Supply Risks. Because water is supplied to the Project Area from imported sources purchased from wholesalers, as well as local groundwater, Statewide and local conditions could impact the availability of water supply for future development in the Project Area. Imported water supplies to portions of the Project Area include: water that is delivered by the San Francisco Public Utilities Commission (“SFPUC”) to the San José Municipal Water System (“SJMWS”); water from the State Water Project (“SWP”) and Central Valley Project (“CVP”) that is delivered by the Santa Clara Valley Water District to water retailers in the Project Area; and water transfers that may delivered by both wholesalers to retailers in the Project Area. All of these sources of supply are subject to limitations during periods of drought. On a long-term basis, supplies may also be limited due to the impacts of climate change. The supply of SWP and CVP water is also subject to regulatory constraints imposed to manage flows and water quality in the Sacramento-San Joaquin River Delta. In addition, the supply of SFPUC water to SJMWS for service in North San José is limited by two July 2009 contracts: (i) an individual water sales contract between the City and County of San Francisco and the City; and (ii) a master wholesale contract between the City and County of San Francisco and all wholesale customers, including the City. Under these contracts, the supply of water could be interrupted by the supplier thereof in certain circumstances.

See also “–Environmental Risks” below.

Appeals and Assessor Reductions to Assessed Value

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a Proposition 8 appeal. In addition to reductions in assessed value resulting from Proposition 8 appeals, Proposition 8 also allows assessors to reduce assessed value unilaterally to reflect reductions in market value.

A reduction in taxable values within the Project Area and the refund of taxes which may arise out of successful appeals by property owners or unilateral reduction by the County Assessor – which has occurred most recently in Fiscal Year 2009-10 – has affected and in the future may affect the amount of Tax Revenues available for payment on the 2017 Bonds. See “PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures,” “THE PROJECT AREA – Assessment Appeals and Assessor Reductions” and “APPENDIX A – REPORT OF THE FISCAL CONSULTANT – FACTORS AFFECTING FUTURE ROLL VALUATIONS – Assessment Appeals”. See also “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage.”

Levy and Collection of Taxes

The Successor Agency has no power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the tax increment revenues received by the Successor Agency, and accordingly, could have an adverse effect on the ability of the Successor Agency to pay debt service on the 2017 Bonds from Tax Revenues. Likewise, delinquencies in the payment of property taxes and the impact of bankruptcy proceedings on the legal ability to collect property taxes could have an adverse effect on the Successor Agency’s ability to make timely debt service payments. Since 1993 it has been the County’s practice to allocate to the Successor Agency its proportionate share of property taxes collected Countywide regardless of delinquencies, but the County could

discontinue this practice at any time. See “PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Rate of Collections – Teeter Plan.”

Concentration of Ownership

The largest top ten taxpayers in the Project Area account for approximately 25.5% of the total valuation in the Project Area in Fiscal Year 2017-18. The largest top twenty taxpayers in the Project Area account for approximately 33.1% of the total valuation in the Project Area in Fiscal Year 2017-18. The concentration of the top assessees within the Project Area is identified in Table 5. The distribution of the largest assessees within the Project Area may change over time. A decline in the assessed value of parcels owned by the top taxpayers in the Project Area could have an adverse impact on Tax Revenues pledged to pay the 2017 Bonds. See “THE PROJECT AREA – Twenty Largest Taxpayers.”

Personal Property on the Unsecured Roll

Approximately \$4.2 billion of the Fiscal Year 2017-18 assessed value in the Project Area (approximately 14.2% of the total Fiscal Year 2017-18 assessed value in the Project Area) consists of land, improvements and personal property that are on the unsecured tax roll. Approximately 30.3% of the assessed valuation for the 20 largest assessees is on the unsecured roll, with 28.2% of the unsecured value in the Project Area owned by Cisco Systems. See Table 3 and Table 5 under the caption, “THE PROJECT AREA.”

In general, the assessed value of this type of personal property has been and may be subject to a high degree of fluctuation. Factors contributing to fluctuations include relocation of personal property out of the Project Area, obsolescence and rapid depreciation. See “PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures” above.

Recognized Obligation Payment Schedules

Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the 2017 Bonds and to pay other enforceable obligations for each applicable annual period. In the event the Successor Agency failed to file a Recognized Obligation Payment Schedule as required, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See “THE DISSOLUTION ACT – Recognized Obligation Payment Schedules.”

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule as required. Specifically, an oversight board approved Recognized Obligation Payment Schedule must be submitted by the successor agency to the county auditor-controller and the DOF, no later than each February 1 for the subsequent annual period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency’s administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule within 10 days of the February 1 deadline, with respect to the Recognized Obligation Payment Schedule for the subsequent annual period.

Insufficiency of Funds. For a variety of reasons, the Successor Agency has filed a Notice of Insufficiency with the County Auditor-Controller and the State for every ROPS period since July 1, 2012. By December 1, 2017, the Successor Agency expects to file a Notice of Insufficiency for the ROPS period commencing on January 1, 2018. Commencing on July 1, 2018, following the issuance of the 2017 Bonds, the Successor Agency expects to have sufficient funds to meet all of its enforceable obligations, including the 2017 Bonds and obligations subordinate to the 2017 Bonds. If the Successor Agency did not have sufficient funds to pay debt service on the 2017 Bonds, and failed to file a Notice of Insufficiency on a timely basis, the provisions in the Dissolution Act providing for the subordination of pass-through payments to the payment of debt service on the 2017 Bonds may not be effectuated. See “THE DISSOLUTION ACT – Recognized Obligation Payment Schedules.”

Challenges to Dissolution Act

Several successor agencies, cities and other entities have filed judicial actions challenging the legality of various provisions of the Dissolution Act. One such challenge is an action filed on August 1, 2012, by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “**Syncora**”) against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215). Syncora Guarantee Inc. and Syncora Capital Assurance Inc. are monoline financial guaranty insurers domiciled in the State of New York, and as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

The complaint alleged that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (i.e., California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, §10, cl.1; Cal. Const. art. 1, §9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The complaint also alleged that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation.

After a hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora’s constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora’s takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency’s ability to timely pay debt service on the 2017 Bonds.

AB 1484 Penalty for Failure to Remit Unencumbered Funds

AB 1484 further implements certain provisions of AB X1 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies.

Within 5 business days of receiving notification from DOF, the Successor Agency must remit to the County Auditor-Controller the amount of unobligated balances determined by DOF, or it may request a meet and confer with the DOF to resolve any disputes. If there is a meet and confer process, the Successor Agency must remit the amount of unobligated balances within 5 business days of receiving a subsequent notification from the DOF of the amount of unobligated balances at the conclusion of that process.

If the Successor Agency fails to remit the amounts determined by the DOF by the respective deadlines, certain penalties and remedies apply under AB 1484. In particular, the DOF may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of property tax to the Successor Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid.

The Successor Agency does not believe it has any unobligated balances to which the provisions of AB 1484 would apply.

Implementation of the Dissolution Act

The Dissolution Act is complicated legislation, with limited legislative history. Initially, the County Auditor-Controller, and the individual oversight boards, had substantial authority to oversee the implementation of the dissolution process. Following passage of AB 1484, however, the DOF now has the authority to review and reject all actions of the oversight boards, including approval of the annual Recognized Obligation Payment Schedules, the determinations of funds to be remitted to the taxing agencies, approval of any amended agreements, and the approval of the disposal of assets. Furthermore, the DOF has taken the position that its failure to object to an item on a successor agency's Recognized Obligation Payment Schedules does not foreclose its ability to object to it on a future Recognized Obligation Payment Schedules.

In implementing the Dissolution Act, the County Auditor-Controller has taken positions at odds with the Successor Agency's interpretations of the Dissolution Act. In particular, the Successor Agency was recently involved in litigation with the County related to the PERS Levy, the Water District Levy and certain other matters related to the Amended Agreement and the 2011 Settlement Agreement, all of which were resolved in accordance with the 2017 Settlement Agreement, including the Successor Agency's agreement not to pledge tax increment derived from the PERS Levy and Water District Levy as security for the payment of debt service on the 2017 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – The County Pass-Through Payments – 2017 Settlement Agreement."

The Successor Agency cannot predict the future actions of the County Auditor-Controller or the DOF in implementing the Dissolution Act nor any assurance that such actions if any will not have a material and adverse effect on the Successor Agency's ability to pay debt service on the 2017 Bonds.

Reductions in Inflationary Rate

As described in greater detail above, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Decreases in property values could cause a reduction in tax increment revenue received by the Successor Agency (and accordingly Tax Revenues available for payment of the 2017 Bonds). Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, but, in Fiscal Year 2010-11, the inflationary value adjustment was negative for the first time at -0.237%. A table showing fiscal years during which the inflationary adjustment factor was less than 2% is set forth in "PROPERTY TAXATION IN CALIFORNIA - Article XIII A of the California Constitution." The Successor Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Subordinate Nature of the 2017 Subordinate Bonds

Payment of debt service on the 2017 Subordinate Bonds is subordinate to the payment of debt service on the 2017 Senior Bonds. The Successor Agency is obligated by the Indenture to use Tax Revenues for payment of debt service on the 2017 Senior Bonds before it pays debt service on the 2017 Subordinate Bonds, as and to the extent set forth in the Indenture and described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS." The Successor Agency can provide no assurance that Tax Revenues will be sufficient to pay debt service on the 2017 Subordinate Bonds when due.

Bankruptcy and Foreclosure

The payment of the tax increment revenue and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the 2017 Bonds and the possibility of delinquent tax installments not being paid in full.

Environmental Risks

The value of the property in the Project Area in the future, and consequently, the amount of Tax Revenues, can be adversely affected by a variety of factors, including environmental factors, some of which are listed below.

Seismic Hazards. The City, including the Project Area, is in a region of very high seismic activity. The seismically active San Francisco Bay region has been subjected to recurring large earthquakes. In 2014, the Working Group on California Earthquake Probabilities updated the 30-year earthquake forecast for California. They concluded that there is a 72 percent probability of at least one earthquake of magnitude 6.7 or greater striking somewhere in the region before 2043. Seismic hazards includes risks of (i) surface fault rupture, (ii) ground shaking and (iii) liquefaction and ground failure.

Surface Fault Rupture. Surface fault rupture, displacement at the earth's surface resulting from fault movement, is typically observed close to or on an active fault. There are several active faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes, which could result in damage to buildings, roads, bridges, and property within the City. Areas within the Project Area are located within 6 to 12 miles of the Hayward, Calaveras, and San Andreas faults, all of which are known to be active faults and pose the greatest potential for surface rupture in the Bay Area. The City has experienced at least nine recorded earthquakes with a magnitude of 6.0 or greater, and with an epicenter located within the Bay Area. The South Napa earthquake with a magnitude of 6.0 according to the U.S. Geological Survey ("USGS"), occurred on August 24, 2014. Prior to the South Napa earthquake, the City experienced the Loma Prieta earthquake on October 17, 1989, which had a magnitude of 6.9 according to the USGS. No significant damage was noted in the Project Area from either the South Napa or the Loma Prieta earthquakes.

Ground Shaking. Ground shaking can be described in terms of peak acceleration, earthquake ground shaking intensity (Modified Mercalli Scale), and displacement of the ground. Ground shaking may affect areas hundreds of miles away from an earthquake's epicenter. The risks to a structure from a seismic event are dependent upon several factors, including the distance of the structure from the active fault, the character of the earthquake, the nature of construction of the structure, and the geologic conditions underlying the structure. Ground surface rupture tends to occur along lines of previous faulting, where fault displacement intersects the ground surface. Displacement may either occur suddenly during an earthquake or it may occur slowly as the fault "creeps" over a long period of time. The northern segment of the Quaternary Silver Creek fault transects a portion of the downtown area of the Project Area, east of 17th Street. The fault is buried deeply beneath alluvial deposits. Evidence of active Holocene (within the past 11,000 years) displacement of the northern segment of the Silver Creek fault is lacking (USGS, 2010). Therefore, the potential hazard of surface rupture from the Silver Creek fault in the subject area is low. The northern segment of the Silver Creek fault is not zoned for fault rupture hazard by the State or City. The potentially active Piercy fault may transect a small portion of the project in the Edenvale area. Surface rupture studies may be required by the City prior to development of any properties near mapped traces of the Piercy fault.

Liquefaction and Ground Failure. "Liquefaction" is the transformation of soil from a solid state to a liquid state during a major earthquake. Liquefaction hazard zones are

regulatory zones where historic occurrence of liquefaction or local geologic, geotechnical and ground water conditions indicate a potential for permanent ground displacements during a major earthquake. Liquefaction may result in differential settlement, sand boils, ground fissures, lateral spreading, and other surface deformations. Pursuant to applicable State law, the California Geological Survey (CGS) has prepared maps to identify certain areas as liquefaction hazard zones. Much of the Project Area, including the downtown and Rincon areas, is within the State of California *Seismic Hazard Zone of Required Investigation for Liquefaction* (CGS, 2002). As such, in accordance with the State of California Seismic Hazards Mapping Act, the City requires a geotechnical investigation report addressing liquefaction potential to be submitted by a land developer, for review and approval by the City Geologist, prior to approval of a development project. The report must be prepared in accordance with State guidelines. In areas of high liquefaction potential, multi-story/high rise buildings typically include the installation of various types of soil improvement structures beneath the building, or deep pile foundations, to mitigate liquefaction hazards.

The Project Area has a variety of structures/uses that were designed with different importance factors based on occupancy, assembly, and its essential use to be operational after a seismic event. Also, many structures survived the Loma Prieta earthquake but triggered new City ordinances requiring higher levels of seismic strength, resulting in increased building costs for development projects in the Project Area. Many structures survived the Loma Prieta earthquake with relatively minor damage. However, unreinforced masonry structures sustained significant damage and the City created a structural seismic upgrade ordinance for property owners who own unreinforced masonry buildings. The ordinance required structural analysis to be submitted by May 1992 and complete structural upgrade or demolition to occur by November 1997. In addition, other City ordinances amend the structural portion of the building code for more stringent requirements in consideration of near earthquake faults and geological conditions. However, there can be no guarantee that structural seismic upgrades that have been completed are sufficient for future seismic events. Because the Project Area is located within an area near active earthquake faults, the possibility does exist for operations to be disrupted or for structures to be damaged by a strong earthquake.

Flooding Hazards. Flooding hazards may be considered in two categories: natural flooding and dam inundation.

Natural Flooding. Natural flooding hazards are those associated with major rainfall events, which result in the flooding of developed areas due to overflows of nearby waterways, or inadequacies in local storm drain facilities. The City and the Santa Clara Valley have a history of flooding due to heavy rain and inadequate storm drains and flood protection conveyance systems, which has resulted in property damage. The Santa Clara Valley Water District (the “**District**”) is responsible for flood protection infrastructure in Santa Clara County on streams and waterways. The District coordinates flood hazard mitigation efforts for the major creeks and waterways in the City and assists the City in the review of development proposals that could impact flood protection efforts. District staff also prepare and maintain reports of severe flood events. These reports dating back to 1955 can be found on the District website under Flood Protection.

The Federal Emergency Management Agency (“**FEMA**”) oversees the delineation of flood zones. FEMA publishes Flood Insurance Rate Maps (“**FIRMs**”) that

show the expected frequency and severity of flooding by area, typically for the existing land use and drainage/flood control facilities. The maps prepared by FEMA for the San José area indicate that during a 100-year flood event (area subject to a flood that has a 1 % chance of being equaled or exceeded in any given year), sections of the City could be subject to flooding from creek overbanking, inadequate storm drains and levees or inundation from the San Francisco Bay. These areas are labeled on the FIRM as zones A, AE, AH, AO, AR, A99, V, and VE. The FIRMs and the zone definitions are available on the FEMA website. Approximately 20,000 parcels, approximately 10% of the total number of properties within the City, are within the 100-year flood hazard area established by FEMA. Within the Project Area, there are approximately 840 properties within the 100-year flood hazard area. The other zones on the FIRM include zone X shaded - also known as the 500-year flood event (or the 0.2% annual chance floodplain), zone X unshaded – an event beyond the 500-year flood (areas outside the 0.2% annual chance floodplain), and zone D - areas where flood hazards are undetermined but possible. In areas designated as Zone D, no analysis of flood hazards have been conducted. While flood insurance is available for structures in all flood zones, it is only federally required by lenders for loans to structures in zones represented by letters A and V. In addition to flood insurance, new and substantially improved structures in zones A and V are subject to construction requirements per the City's floodplain ordinance, Chapter 17.08 Special Flood Hazard Area Regulations.

Particular natural flooding risks in the component areas of the Project Area follows.

Downtown-Diridon. The Los Gatos Creek and the Guadalupe River both flow through the downtown area, including Diridon. The creek bed and river channel areas are designated on the FEMA maps as zone A. In June 2005, the District completed the Downtown and Lower Guadalupe River Flood Protection projects which removed a majority of the high risk properties within the downtown area from the 100-year flood zone and placed them in flood zone X shaded. The remaining portion of the downtown area is in zone D.

Julian-Stockton. The Guadalupe River bisects this Project Area. The area to the east of the river is mostly in zone X shaded with a few square blocks in zone D. The area to the west of the river is mostly in zone D with a few properties along The Alameda in zone AO and south of the Union Pacific Railroad tracks in zone AH.

Edenvale. The portion of Edenvale west of Highway 101 is in zone D. Coyote Creek flows through the portion of Edenvale that is located east of Highway 101. Only one existing building adjacent to the creek is partially located in flood zone AO. The remaining existing buildings are all in zone D. The 100-year floodplain which follows the creek is in FEMA designated zone AE. Portions of this floodplain is also a designated FEMA floodway. The floodway is the channel of the creek and the adjacent land area that must be kept clear so that the 100-year flood can be maintained without increases in flood height.

Monterey Corridor. Properties along the Monterey Corridor are in zones AO, AH, and D.

Olinder. The Olinder Project Area is in flood zone D.

Rincon. This area is located generally south of HWY 237, east of the Guadalupe River, north of HWY 101 between Trimble Rd and I-880, west of I-880 between HWY 101 and Montague Expressway, and west of Coyote Creek between Montague Expressway and HWY 237. Flood protection projects along the Guadalupe River and the Coyote Creek north of Montague Expressway have significantly reduced the risk of flooding from floodwater overtopping the creek banks. Due to the inadequacy of the existing storm drainage system during a 100-year flood event, many of the areas low spots remain in the floodplain. The flood zone designations for properties in this Project Area are A, AE, AH, AO, D and X. In addition to FEMA regulations, development in Rincon must also adhere to the 2006 North San José Floodplain Management Study (NSJFMS). This study contains development constraints which while allowing developmental growth in the area will also protect new and substantially-improved structures from flooding and will minimize potential increases to flood depths. These constraints include maintaining an on-site flood conveyance path to allow shallow flooding to cross properties in a south to north direction and elevating the lowest floor or flood-proofing non-residential structures to the NSJFMS minimum design elevation or the base flood elevation as shown on FIRM, whichever is higher.

Dam Inundation. Dam inundation hazards are those associated with the downstream inundation that would occur given a major structural failure in a nearby dam/reservoir. Parts of the Project Area are in the dam inundation area for Guadalupe Dam, Lenihan Dam and Anderson Dam. The District is also responsible for these dams. In a catastrophic event, damage to one or more of these dams could result in flooding within the City as shown on inundation maps originally prepared by the District in the early 1970's and mid 1990's (the map for Guadalupe Dam was further updated in 2014, the maps for Lenihan Dam and Anderson Dam in 2016). These inundation maps are on file with the California Office of Emergency Services and with the City.

The District commenced seismic stability studies on nine of the District's dams in 2007. On July 6, 2011, the District issued a press release announcing the results of a seismic study of the Anderson Dam, an earth and rockfill structure constructed in 1950, which concluded that the dam could be affected by a major earthquake with a magnitude of 7.25 on the Calaveras Fault within two kilometers of the dam. The study further stated that the analysis found loosely compacted layers of liquefiable materials in the foundation of the dam. These materials are susceptible to a reduction in strength when subjected to severe earthquake shaking. If the foundation were damaged, part of the dam could experience 15 to 25 feet of vertical deformation, with an additional 15 feet of potential cracking. The study stated that if the reservoir were full at the time, there could be an uncontrolled release of water. Although the chances are very remote, a complete failure of the Anderson Dam could send a wall of water 35 feet high into downtown Morgan Hill in 14 minutes, and 8 feet deep into San José within three hours.

The Anderson Dam is regulated by the State of California Division of Safety of Dams, which performs yearly reviews and requires maintenance and safety standards to be enforced by the dam owners and operators. Additionally, the Federal Energy Regulatory Commission has dam safety jurisdiction at the Anderson Dam. Currently, according to information provided on the District's website, these regulatory agencies have set a reservoir elevation restriction equivalent to 68% of capacity, or 61,810 acre-feet of water. Also according to information on the District's website, these agencies set these storage elevation restrictions understanding that reservoirs cannot physically be kept below a restricted level at all times; for example, they understand that storms

produce rainfall runoff into reservoirs that will temporarily increase the amount of water in them and that they have not requested the District do anything beyond releasing water from the dam's existing outlet as quickly as possible, to help bring water levels back down.

In response to the seismic study, the District initiated a project to retrofit the Anderson Dam. The planning phase of the Anderson Dam Seismic Retrofit project has been completed and currently the project is in the early part of the engineering design phase, which identified significant new issues with the dam that will require a much more extensive retrofit of the embankment. The modified project is scheduled for completion in 2024 at an estimated cost of \$400 million.

On October 10, 2017, the District approved a short-term flood risk reduction option for Coyote Creek for the 2017-2018 Winter Season. In particular, the District approved a plan to lower reservoir storage levels at Anderson Dam Reservoir significantly below the current seismic restriction before the winter season, and maintaining the lower level to provide more storage volume through the winter season.

Coyote Reservoir and Dam, also operated by the District, lie immediately upstream of Anderson Reservoir and are located on the Calaveras fault. Coyote Reservoir was constructed in the 1930's and is currently operated under a State of California Division of Safety of Dams storage restriction limit equivalent to fifty percent of capacity. When Coyote Reservoir exceeds 100 percent of storage capacity due to extreme wet weather, spillway flows from Coyote Reservoir enter the south end of Anderson Reservoir. Coyote Reservoir has a total storage capacity of 23,244 acre-feet, which is approximately 25 percent of the storage capacity of Anderson Reservoir, which can store a total of 90,373 acre-feet. In the event of a total failure of Coyote Reservoir Dam, the resulting water that would be released because of such failure would be expected to be contained within the channel that leads to Anderson Reservoir. If Anderson Reservoir lacked the storage capacity to contain the Coyote Reservoir water flows resulting from a dam failure event, the Anderson Reservoir spillway would convey those flows to Coyote Creek below the Anderson Reservoir and ultimately into San José.

On October 26, 2011, the District announced preliminary findings from a seismic study indicating that its Calero and Guadalupe dams could be subject to significant damage if a major earthquake occurred near either dam. In response to these preliminary findings, the District has further restricted reservoir levels at the Calero and Guadalupe dams. In 2012, the District initiated a project to retrofit Calero and Guadalupe Dams. The planning phase of the project has been completed. The design phase of the project commenced in 2015. Construction of these two dam retrofit projects is scheduled for completion in fiscal year 2021-22 at an estimated cost of \$140 million.

Reports or studies were completed for the Almaden Dam in October 2012, the Lenihan Dam in December 2012, and the Stevens Creek Dam in December 2013, that concluded that the dams are in suitable condition and that no retrofit work is required. The District continues to work with the State of California Division of Safety of Dams to study seismic stability of its other dams and is adapting operations accordingly.

In July 2017, State water officials directed the District to evaluate dam spillways in the State, including with respect to the Guadalupe Dam, Lenihan Dam and Anderson Dam.

2017 Flooding. Due to significant rainfall in the Santa Clara Valley during fall 2016 and winter 2017, Anderson Dam's water capacity exceeded the capacity restriction and the District released water from it. On February 18, 2017, Anderson Dam exceeded 100% of its capacity, and as a result of the uncontrollable but predictable release of water over the spillway the City experienced significant flooding along Coyote Creek.

The uncontrollable spillway release lasted 10 days. The reservoir spillway event began on February 18, 2017 and reached its peak on February 21, 2017 before declining and eventually stopping on February 28, 2017. Beginning February 28, the reservoir levels slowly retreated as the District used the outlet structure at the base of the dam to draw down water levels at a rate of approximately 425 cubic feet per second (fully opened). As of March 9, 2017 the reservoir capacity had retreated from 100% (full) to 95% (5% available for storage of inflows to the reservoir) and has declined since with the absence of significant rain. As of October 31, 2017, the District's website reported that reservoir capacity was 37.3%.

This flooding required a combination of advisory and mandatory evacuations of approximately 14,000 residents in three areas of the City outside of the Project Area: Rock Springs; neighborhoods in the William Street area (Olinder, Brookwood Terrace, and Naglee Park); and three mobile home parks in the Rincon area. The flood significantly impacted both privately and publicly owned property and facilities in the Rock Springs and William Street neighborhoods. Flooding also occurred on Highway 101, south of the City, causing the closure of the freeway for most of the day in this location on February 21, 2017.

Due to the damages that occurred at the above locations, the City proclaimed a state of local emergency with respect to this flooding event and requested that the Governor of the State of California proclaim a state of emergency for the City and that he request a federal declaration for assistance. Subsequently, the President declared disasters for the California winter storms including the Coyote Creek flood, making the City eligible to file for public assistance claims for costs incurred for emergency response. On February 27, 2017, the City submitted to the State a preliminary damage estimate of \$73 million, including \$50 million in damage to private property and \$23 million in public assistance damage for emergency protective measures, debris removal, and infrastructure damage incurred by the City. These estimates were preliminary and continue to be revised.

This flooding event did not cause property damage in any of the areas within the Project Area.

Wildland-Urban Interface Fires. The only portion of the Project Area within the current boundary of a designated San José Wildland-Urban Interface Fire Area is the portion of the Edenvale area east of Highway 101. The rest of the Project Area is not within a designated Wildland-Urban Interface Fire Area. The City has emergency operations policies and procedures established for wildland firefighting. In addition, and in accordance with the California Code of Regulations ("CCR"), Title 24, Part 9, known as the California Fire Code, the San José fire department enforces CCR, Title 24, Part 2, known as the California Building Code and CCR, Title 24, Part 2.5, known as the California Residential Code, Chapter 7A and section R337, respectively, which cover the requirements for material and construction methods for buildings subject to exterior wildfire exposure. Hence, new buildings located in the designated

San José Wildland-Urban Interface Fire Area will comply with all applicable sections of the CCR.

Hazardous Substances. An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. 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. If this situation were to occur with property within the Project Area, the costs of remedying it could reduce the marketability and taxable value of the property.

Natural Gas Transmission Pipelines

On September 9, 2010, a Pacific Gas and Electric Company (“**PG&E**”) high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. In a final Pipeline Accident Report, adopted by the National Transportation Safety Board (the “**NTSB**”) on August 30, 2011, the NTSB found recurring deficiencies in PG&E’s pipeline integrity management program, which the NTSB concluded were evidence of a systemic problem. Publicly available information on PG&E’s website (www.pge.com) indicates there are several similar natural gas transmission pipelines located either within or in the vicinity of certain portions of the Project Area. In the downtown areas, for example, the above mentioned online maps indicate that there are two pipelines that are within 1,000 to 2,000 feet from the northwesterly boundaries (within Bassett Street, Coleman Avenue, Julian Street) and easterly boundaries (along 10th Street), of the downtown areas. In the industrial areas, pipelines are present in or adjacent to the boundaries of the Edenvale Area, Monterey Corridor Area, Julian-Stockton Area, Olinder Area and Rincon de Los Esteros Area.

The following paragraph is derived from information provided by PG&E to City staff with respect to its natural gas pipeline inspection and monitoring program, and no assurance can be given as to its completeness:

*PG&E has instituted a comprehensive inspection and monitoring program with the purpose of ensuring the safety of its natural gas transmission pipeline system. PG&E regularly conducts patrols, leak surveys, and cathodic protection (corrosion protection) system inspections for its natural gas pipelines. PG&E’s policy is to address issues identified as a threat to public safety immediately. PG&E conducts quarterly patrols for its gas transmission pipelines to look for indications of construction activity and other factors affecting safety and operation – there were no adverse indicators affecting pipeline safety during the last quarterly patrol done in July 2017. Leaks Surveys are done semi-annually with the last leak survey work being completed in April 2017. PG&E utilizes an active cathodic protection (“**CP**”) system on its gas transmission and steel distribution pipelines to protect them against corrosion. PG&E inspects its CP systems at least annually to ensure they are operating correctly.*

The effects of any failure of the high pressure natural gas transmission pipelines in or within the vicinity of the Project Area are difficult to predict, but could include explosion and concussive force, fire, smoke, transportation delays and detours on routes to and from the Project Area, and potential forced evacuation of nearby structures for temporary or lengthy

periods of time. This could lead to a decrease in assessed values of the land in the Project Area and decreased tax increment revenue generated thereby.

The Successor Agency is not able to independently confirm the information set forth above or the information contained in the NTSB's Pipeline Accident Report or on the PG&E website, including the exact distances of any high pressure transmission lines from the Project Area, and can provide no assurances as to the accuracy or completeness of such information. Information available in the NTSB's Pipeline Accident Report and from PG&E's website is not part of this Official Statement nor has such information been incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Bonds. Further, the Successor Agency can provide no assurances as to the condition of PG&E pipelines and other facilities in or within the vicinity of the Project Area, or predict the extent of the damage to any property that would occur if a PG&E pipeline were to experience any type of failure, including a possible fire or explosion.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will further amend the Law or other laws or the Constitution of the State resulting in a reduction of tax increment revenues, and consequently, have an adverse effect on the Successor Agency's ability to pay debt service on the 2017 Bonds from the Tax Revenues.

Loss of Tax Exemption/Risk of Audit of Municipal Issuer

As discussed under the caption "TAX MATTERS," interest on the 2017A Bonds and the 2017B Bonds could fail to be excluded from gross income of the Owners thereof for purposes of federal income taxation retroactive to the date of the issuance of the 2017A Bonds and 2017B Bonds as a result of future acts or omissions of the Successor Agency in violation of its covenants to comply with requirements of the Internal Revenue Code of 1986, as amended. Additionally, subsequent to the issuance of the Bonds, there might be federal, state or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state or local tax treatment of the 2017A Bonds or the 2017B Bonds or the market value of the Bonds. Tax reform proposals are being considered by Congress. It is possible that legislative changes might be introduced in Congress, which, if enacted, would result in additional federal income imposed on owners of tax-exempt state or local obligations, such as the 2017A Bonds and the 2017B Bonds. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the 2017A Bonds and the 2017B Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Should such an event of taxability occur, the 2017A Bonds and 2017B Bonds are not subject to special redemption or any increase in interest rate and will remain outstanding until maturity or until redeemed under one of the redemption provisions contained in the Indenture. Before purchasing any of the 2017A Bonds or the 2017B Bonds, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the 2017A Bonds and the 2017B Bonds.

The Internal Revenue Service (the "IRS") has a program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2017A Bonds and the 2017B Bonds or other obligations of the Successor Agency may be selected for audit by

the IRS. It is also possible that the market value of the 2017A Bonds and the 2017B Bonds could be affected as a result of such an audit or audits.

In any event, the Successor Agency believes that if it were determined to have a tax liability with respect to any of the 2017 Bonds, or any other of its obligations, the payment of any such liability would be payable on a basis subordinate to the pledge and lien on Tax Revenues in favor of the 2017 Bonds and would not have a material impact on its ability to pay debt service on the 2017 Bonds when due.

TAX MATTERS

2017A Bonds and 2017B Bonds

General. In the opinion of Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2017A Bonds and 2017B Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the 2017A Bonds and 2017B Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2017A Bonds and 2017B Bonds.

California Tax Status. In the opinion of Bond Counsel, interest on the 2017A Bonds and 2017B Bonds is exempt from California personal income taxes.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a 2017A Bond or 2017B Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2017A Bond or 2017B Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2017A Bonds and 2017B Bonds on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue

discount in the case of purchasers of the 2017A Bonds and 2017B Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2017A Bonds and 2017B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of such Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2017A Bonds and 2017B Bonds (said term being the shorter of such Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2017A Bond or 2017B Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2017A Bond or 2017B Bond is amortized each year over the term to maturity of such Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2017A Bond or 2017B Bond premium is not deductible for federal income tax purposes. Owners of premium 2017A Bonds and 2017B Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the 2017A Bonds and 2017B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, such Bonds. Prospective purchasers of the 2017A Bonds and 2017B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the 2017A Bonds and 2017B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, such Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017A Bonds and 2017B Bonds other than as expressly described above.

Form of Bond Counsel Opinion. At the time of issuance of the 2017 Bonds, Bond Counsel expects to deliver an opinion with respect to the 2017A Bonds and the 2017B Bonds in substantially the form set forth in APPENDIX E.

2017A-T Bonds [and 2017B-T Bonds]

General. The interest on the 2017A-T Bonds and 2017B-T Bonds is not intended by the Successor Agency to be excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, interest on the 2017A-T Bonds and 2017B-T Bonds is exempt from California personal income taxes.

Owners of the 2017A-T Bonds and 2017B-T Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, such Bonds may have

federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2017A-T Bonds and 2017B-T Bonds other than as expressly described above.

Form of Bond Counsel Opinion. At the time of issuance of the 2017 Bonds, Bond Counsel expects to deliver an opinion with respect to the 2017A-T Bonds and 2017B-T Bonds in substantially the form set forth in APPENDIX E.

MUNICIPAL ADVISORS

The Successor Agency has retained the services of Ross Financial, San Francisco, California, and Public Financial Management, Inc., San Francisco, California, as municipal advisors in connection with the sale of the 2017 Bonds. The municipal advisors are not obligated to undertake, and have not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

UNDERWRITING

Stifel Nicolaus & Company, Incorporated, for itself and as representative of the several underwriters (collectively, the “**Underwriters**”), has agreed to purchase the 2017 Bonds at a price of \$_____ (being the principal amount of the 2017 Bonds [less]/[plus] [net] original issue [discount]/[premium] of \$_____ and less an Underwriters’ discount of \$_____).

The Underwriters may offer and sell 2017 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriters.

J.P. Morgan Securities LLC (“**JPMS**”), one of the Underwriters, has entered into negotiated dealer agreements (each, a “**Dealer Agreement**”) with each of Charles Schwab & Co., Inc. (“**CS&Co.**”) and LPL Financial LLC (“**LPL**”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase the 2017 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the Underwriters, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2017 Bonds.

Backstrom McCarley Berry & Co., LLC, one of the Underwriters, has entered into separate non-exclusive distribution agreements with TD Ameritrade, D.A. Davidson & Co., and Wedbush Securities Inc. (the “**Firms**”) to augment both its institutional and retail marketing capabilities for the distribution of certain new issue municipal securities underwritten by or allocated to Backstrom McCarley Berry & Co., LLC, including the 2017 Bonds. Pursuant to the distribution agreements, the Firms may purchase 2017 Bonds from Backstrom McCarley Berry

& Co., LLC at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that the applicable Firm sells, or Backstrom McCarley Berry & Co., LLC may share with the applicable Firm a portion of the fees or commission paid to Backstrom McCarley Berry & Co., LLC.

Piper Jaffray & Co., one of the Underwriters, has entered into a distribution agreement with CS&Co. for the retail distribution of certain securities offerings at the original issue prices. Pursuant to this distribution agreement, CS&Co. may purchase 2017 Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any 2017 Bonds that CS&Co. sells.

OTHER INFORMATION

Professional Fees

Payment of the compensation of Bond Counsel, Disclosure Counsel, Underwriters' counsel, Municipal Advisors, the Verification Agent, the Trustee and Escrow Holders is contingent upon the closing of the 2017 Bonds.

Legal Matters

Certain legal matters incident to the issuance of the 2017 Bonds have been or will be approved by Jones Hall, A Professional Law Corporation, San Francisco, California, as Bond Counsel. Jones Hall is also acting as Disclosure Counsel to the Successor Agency. Certain legal matters incident to the issuance of the 2017 Bonds will be passed upon for the Successor Agency by its General Counsel, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California.

LITIGATION

No Bond-Related Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issue and sale of the 2017 Bonds or in any way contesting or affecting the validity of the 2017 Bonds, the Indenture, or any proceedings of the City, the Former Agency or the Successor Agency taken with respect to the 2017 Bonds.

2017 Settlement With County

The City, Successor Agency and the County recently settled litigation related to the Dissolution Act, the PERS Levy and the Water District Levy. Pursuant to the 2017 Settlement Agreement, the Successor Agency agreed not to pledge tax increment derived from the PERS Levy and Water District Levy to the 2017 Bonds or any other future indebtedness obligations. For additional details, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2017 BONDS – The County Pass-Through Payment – 2017 Settlement Agreement."

CONTINUING DISCLOSURE

The Successor Agency will covenant for the benefit of owners of the 2017 Bonds to provide to the Electronic Municipal Market Access System ("**EMMA System**") certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June 30th), commencing not later than March 31, 2018 with the report for the 2016-17 Fiscal Year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in "APPENDIX F – FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The Trustee has no obligation to enforce the undertakings of the Successor Agency in the Continuing Disclosure Certificate, and a failure by the Successor Agency to provide any information required thereunder shall not constitute an Event of Default under the Indenture.

The Successor Agency engaged third-party consultants to conduct an analysis of the historical compliance of the Successor Agency and the City with their respective continuing disclosure obligations over the past five years. During this time, both the Successor Agency and the City were obligated to provide continuing disclosure. The Successor Agency had succeeded to the Former Agency's undertakings with respect to the Former Agency's bond issuances. The City was obligated to provide continuing disclosure pursuant to undertakings for numerous bond issuances, including bond issuances of the City, the City of San José Financing Authority, the San José-Santa Clara Clean Water Financing Authority, and various City of San José special assessment and community facilities districts and a convention center facilities district. However, the City was not obligated under the Successor Agency's prior undertakings under the Rule, nor was the Successor Agency obligated under the City's prior undertakings under the Rule. The City is not obligated under the Continuing Disclosure Certificate for the 2017 Bonds.

During the five year period preceding the date of this Official Statement:

[[(i) The Successor Agency failed to file or file on a timely basis, notices of rating changes, or insurer-related changes or rating withdrawals with respect to numerous series of bonds. In addition, the Successor Agency failed to file on a timely basis audited financials in Fiscal Year 2011-12 and Fiscal Year 2012-13 and annual operating data in Fiscal Year 2011-12 and 2015-16 with respect to numerous series of bonds. The Successor Agency also failed to provide a notice of failure to file with respect to the Fiscal Year 2012-13 audited financial statements.]]

(ii) The City failed to file, or file on a timely basis, notices of rating changes, or insurer-related rating changes or rating withdrawals with respect to numerous series of bonds. In addition, the assessed value of taxable property and top ten real property tax assesses information contained in the Annual Reports for each of the past five years reflects information as of the "prior" fiscal year instead of the "current" fiscal year, as may have been required by the terms of the City's undertakings relating to previous issues of general obligation bonds.

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, has assigned its rating of "____" to the 2017A Bonds and the 2017A-T Bonds, and its rating of "____" to the 2017B Bonds and the 2017B-T Bonds.

Fitch Ratings has assigned its rating of "____" to the 2017A Bonds and the 2017A-T Bonds, and its rating of "____" to the 2017B Bonds and the 2017B-T Bonds

These ratings reflect only the views of the respective rating agency and any desired explanation of the significance of these ratings should be obtained from the rating agencies. There is no assurance that any ratings will continue for any given period of time or will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any ratings may have an adverse effect on the market price of one or more series of the 2017 Bonds.

EXECUTION

The execution and delivery of this Official Statement has been duly authorized by the Successor Agency.

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF SAN JOSE

By _____
Chief Financial Officer

APPENDIX A
REPORT OF THE FISCAL CONSULTANT

**FISCAL ANALYSIS
FOR THE
SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
2017 SERIES A, SERIES A-T AND SERIES B
TAX ALLOCATION REFUNDING BONDS

MERGED AREA REDEVELOPMENT PROJECT
FY 2017-18**

NOVEMBER 1, 2017

D R A F T



Urban Analytics

INTRODUCTION

In preparation for the issuance of the Successor Agency to the Redevelopment Agency of the City of San Jose 2017 Series A, Series A-T and Series B Tax Allocation Refunding Bonds (the “2017 Bonds”), the Successor Agency to the Redevelopment Agency of the City of San Jose (the “Successor Agency” and “Agency”) has retained Urban Analytics (the “Consultant”) to prepare this fiscal analysis (the “Analysis”) to evaluate tax revenue generated in the Agency’s redevelopment project areas.

The Analysis provides a review of various matters affecting the Successor Agency’s receipt of tax increment revenues in the Merged Area Redevelopment Project (the “Project Area”). The Project Area consists of multiple sub-areas comprising an 8,169-acre project area within the City of San Jose, located in Santa Clara County (the “County”).

This Report is based in part on assessed valuation information provided by the County’s Office of the Assessor (the “County Assessor”); on the County Assessor’s assessment practices; on apportionment practices and Project Area base year assessed valuation as reported by the Controller-Treasurer Department of the County’s Finance Agency (the “County Auditor-Controller”); and on information regarding redevelopment plan terms provided by Agency staff. The analysis and projections included in this Report utilize the fiscal year (FY) 2017-18 roll unless otherwise noted.

SUMMARY OF FINDINGS

1. The Project Area is expected to generate \$284,838,743 in tax revenue in FY 2017-18 available for debt service on outstanding Agency bonds and other Agency obligations, excluding revenue from debt service override levies as described further below.
2. Pursuant to the adoption of AB x1 26, in June 2011, as modified by AB1484, adopted in June 2012 and SB107, adopted in September 2015, (together referred to as the “Redevelopment Dissolution Law”), as of February 1, 2012, the Redevelopment Agency of the City of San Jose (the “Former Agency”) was dissolved and the Successor Agency was formed and assumed the obligations of the Former Agency.
3. The Successor Agency is subject to new statutory requirements and administrative procedures governing the allocation of tax increment revenue. The Agency’s authority to incur non-refunding bonds was eliminated by the Redevelopment Dissolution Law. Tax increment revenues continue to be pledged to the Agency’s outstanding bonds.
4. The Agency’s ability to collect tax increment revenues throughout the term of the Agency’s outstanding bonds is not expected to be affected either by the Project Area’s tax increment cap that limits the Agency’s receipt of tax increment revenues to \$15,000,000,000 or by time limits included in the redevelopment plans. In the event that the Agency were to collect sufficient tax increment revenue to reach that limit, recent legislation allows Agency debt to be paid without regard to any such plan limits.

THE ALLOCATION OF TAX INCREMENT REVENUES TO THE AGENCY

The Assessor establishes annually an assessed value for secured and unsecured land, improvements and personal property on the regular annual tax roll; assessed valuations for certain utility properties are established by the State Board of Equalization and placed on the utility roll. Under Proposition 13, absent a change in ownership or new construction to an existing property, the assessed valuation of real property (land and improvements affixed to the land, generally assessed on the secured or utility roll) is subject to an adjustment of, at most, two percent per year from a property's FY 1975-76 value, the value at the time of the most recent sale, or the value following new construction on the property. As discussed below under "*Proposition 13 Adjustment*", this adjustment has ranged from negative 0.237% to the maximum of 2.00% in recent years. Personal property (all property that is not real property) is not subject to Proposition 13 limits. It is, however, subject to depreciation and is assessed on the basis of its current depreciated value.

The County Auditor-Controller also apportions to the Agency a share of State-assessed unitary revenue. This property tax revenue, generally from utilities and railroads assessed under a separate mechanism from those on the regular utility roll, is collected on a countywide basis and distributed to redevelopment agencies and taxing entities under an apportionment formula set out in AB454, the 1986 legislation that established the unitary tax mechanism. Unitary tax revenue is apportioned to the Agency as tax increment revenue. The County Auditor-Controller reports that the Agency's unitary revenue was \$3.0 million for FY 2016-17 and is estimated to be \$2.8 million for FY 2017-18.

Under legislation passed in 2007, beginning with the FY 2007-08 roll, certain utility properties were removed from individual tax rate areas and placed in a countywide tax rate area, to be distributed as unitary revenue to all jurisdictions except redevelopment agencies. The legislation required that the corresponding valuation be removed from redevelopment base year valuations as well, resulting in no net change in the Agency's revenue.

The Agency receives property tax revenue from supplemental assessments on properties in the Project Area carried on the supplemental roll. These assessments occur upon the sale of, or new construction on, a property and represent the difference between the current assessed valuation of the property on the annual tax roll and the new value after the sale or new construction. The change in assessed valuation is generally incorporated into the annual tax roll in the year following the sale or new construction. Historical and current-year supplemental revenues, where available, are shown in this report; as they are a highly variable revenue stream, they are not included in the revenue projections used in this report. The County Auditor-Controller reports that the Agency received \$8.8 million in supplemental revenue in FY 2015-16 and \$19.9 million in FY 2016-17.

Tax revenue deriving from the base year assessed valuation is distributed to all other taxing jurisdictions within the tax rate areas comprising the Project Area. The distribution of the base year tax revenue is accomplished using the same AB8 apportionment factors used to allocate property tax revenue in non-redevelopment tax rate areas. The taxing entities in the Project Area are shown in Table 1 below, together with their apportionment factors. The factors shown are weighted averages across the entire Project Area; the actual factors are determined by the County Auditor-Controller on an individual tax rate area code basis. Local school districts receive approximately 36% of tax revenue from the base assessed

valuation in the Project Area; community college districts and the office of education receive another 13% of tax revenue.

Table 1
Taxing Entities In the Merged Area Redevelopment Project

Taxing Entity	Proportionate Share of Basic 1% Property Tax Rate, Post-ERAF
County General	0.174435
ERAF	0.159225
Santa Clara Unified	0.151486
San Jose City	0.146649
San Jose Unified	0.082213
Eastside High	0.076383
West Valley Community College	0.049430
San Jose Community College	0.042256
County School Service	0.035154
Orchard Elementary	0.024671
Oak Grove Elementary	0.022842
SCV Water District Central	0.009445
Franklin McKinley Elementary	0.007297
SCV Water District East 1	0.006525
SCV Water District St Water Project	0.006059
Bay Area Air Quality Mgmt	0.002293
SCV Water District	0.002034
SCV Water District Zone W-4	0.001562
Guadalupe-Coyote Resource Conservation District	0.000041
Total	1.000000

Note: Proportionate shares are weighted averages for the Project Area. Post-ERAF percentages reflect the shift of a portion of revenue for certain taxing entities to the Educational Revenue Augmentation Fund.
Source: County Auditor-Controller; Urban Analytics

Tax revenue derived from assessed valuation in the Project Area in excess of the base year assessed valuation is allocated to the Agency under a method of distribution known as the 'Teeter Plan'. The County Auditor-Controller determines the amount of valuation in excess of the base year at the beginning of the fiscal year and distributes the resultant revenue in several installments during the year.

The Teeter Plan (Section 4701 et seq. of the California Revenue and Taxation Code) allows the County Auditor-Controller to distribute secured property tax revenue to all jurisdictions, including the Agency, without regard to delinquencies. This mechanism allows the County Auditor-Controller to maintain a reserve fund to cover delinquencies and allocate revenue based on the original secured roll, retaining all delinquent tax payments and penalties. Consequently, the Agency is not affected by delinquent secured tax payments although it may be affected by delinquent unsecured tax payments. While there has been no indication that the County would do so, the County may discontinue the Teeter Plan prior to the commencement of any fiscal year. The overall delinquency rate for all secured properties in the Project Area in FY 2016-17 was 1.0% as of May 8, 2017.

The State Board of Equalization–assessed non-unitary railroad and utility properties in the Project Area total \$262 million in assessed valuation in FY 2017-18.

The County Auditor-Controller’s Office has deducted prior-year roll corrections and assessment appeal refunds from tax increment revenues, including revenue from supplemental assessments, each year since FY 2011-12 and is expected to continue to do so. The prior-year roll corrections and refund amounts are \$3.8 million for FY 2016-17 and were \$11.2 million in FY 2015-16, \$7.4 million FY 2014-15, \$4.5 million in FY 2013-14, \$5.4 million in FY 2012-13 and \$5.4 million in FY 2011-12.

THE IMPACT OF THE REDEVELOPMENT DISSOLUTION LAW

The State’s redevelopment program was fundamentally changed as part of the 2011-12 budget package. Legislation dissolving redevelopment agencies and replacing them with successor agencies, AB x1 26, took effect June 29, 2011, with the dissolution of all redevelopment agencies in the State effective as of February 1, 2012. Additional clarifying legislation, AB1484 and SB107, became effective on June 28, 2012 and September 22, 2015, respectively. AB x1 26, AB1482 and SB107 are collectively referred to here as the “Redevelopment Dissolution Law”.

The legislation created successor agencies to pay off existing debt of the former redevelopment agencies and to wind down the former agency’s operations. Successor agencies are governed by seven-member oversight boards representing the taxing entities that share in the property tax revenues of the former agency (the city, county, schools, community college districts and special districts) as well as an employee representative of the former redevelopment agency. Successor agencies are subject to a number of proscriptions intended to limit the scope of their actions, including incurring new debt (as noted below, subsequent legislation added the ability to refund existing debt). The Redevelopment Dissolution Law also removed a previous requirement that 20% of tax increment be allocated to a low- and moderate-income housing fund.

The Redevelopment Dissolution Law did not change the constitutional basis for the collection of property tax increment revenue in California contained in Article 16, Section 16. Property tax increment revenue continues to be calculated and allocated to a special fund of the successor agency now termed the Redevelopment Property Tax Trust Fund, or RPTTF.

The Redevelopment Dissolution Law substantially changed the mechanism used to distribute tax increment revenue to the successor agencies. Successor agencies are now required to create a schedule of payments (Recognized Obligation Payment Schedule, or ROPS) that serves as the basis for the distribution of property tax increment revenue to the successor agencies. The obligations appearing on the ROPS are limited to items deemed to be “enforceable obligations” under the legislation. These include debt service and contractual obligations entered into prior to June 29, 2011; it explicitly excludes contracts and agreements between the former redevelopment agency and its sponsoring city or county except those that were entered into prior to January 1, 2011 for purposes of securing debt obligations and those established in the first two years of an agency’s existence, with certain exceptions.

Funds from the RPTTF are distributed to successor agencies based on the enforceable obligations listed on the ROPS for each period. Distributions of RPTTF property tax increment revenue are made twice each year, on January 2 and June 1, with the January distribution applied to obligations due in the January-June period and the June distribution available for obligations due in the July- December period.

The Redevelopment Dissolution Law established a hierarchy of payments to be made from the RPTTF in each period, a mechanism informally referred to as “the waterfall”. The first payment from the RPTTF is made to the County Auditor-Controller to recover the cost of administering the Redevelopment Dissolution Law; this payment is not subordinated to the Agency’s outstanding bonds or to the 2017 Bonds. The second tier of payments includes passthrough payments to taxing entities. The third payment tier is to the successor agency for the obligations on the ROPS for the payment period. A hierarchy of payments within the ROPS obligations is specified in the law, with debt service on tax allocation bonds first, revenue bonds second, and all other obligations third. The fourth payment is an administrative cost allowance for the successor agency, specified in the legislation as the greater of \$250,000 or three percent of the property tax revenue allocated to the successor agency. The fifth and final payment is a distribution of all remaining property tax increment revenue in the RPTTF to the local taxing entities. No funds are retained in the RPTTF.

In the event that the Successor Agency demonstrates that there will be insufficient funds available in the RPTTF to meet the successor agency’s obligations for a given period, the Redevelopment Dissolution Law requires the County Auditor-Controller to, first, reduce or eliminate the residual payments to taxing entities; second, reduce or eliminate the administrative cost allowance to the successor agency; and third, deduct from any subordinated passthrough payments, whether contractual or statutory, the amount needed for debt service obligations to which they were made subordinate. If there is still an insufficiency, the Redevelopment Dissolution Law permits, but does not require, a loan to be made from the county treasury to the successor agency.

There is a complex system of oversight and approvals in the Redevelopment Dissolution Law. The oversight boards are charged with approving ROPS of the successor agency, which are then submitted to the County Auditor-Controller and State Department of Finance for review. The Department of Finance can reject some or all of the obligations on the ROPS, which then returns to the successor agency and the oversight board for revision. Since the County Auditor-Controller cannot make a payment to the successor agency without an approved ROPS, this approval process is a critical element in the process. Additional oversight is provided by the State Controller, charged with overseeing the actions of the county auditor-controllers.

On September 22, 2015, as part of the Proposed Budget for FY 2015-16, the Governor signed legislation (SB107) that established an annual (rather than biannual) ROPS process (beginning in FY 2016-17), as well as establishing (beginning in FY 2018-19) a single county oversight board for all successor agencies in a county (counties with more than 40 successor agencies will have five oversight boards). SB107 also amended Section 34189 of the Health and Safety Code (HSC) to include language stating that the payment of enforceable obligations is not subject to the temporal limits and tax increment caps in redevelopment plans, and amended HSC Section 34183 to clarify that certain tax rate levies, when pledged to debt service, are allocable to a successor agency to the extent necessary to pay debt service. Additionally, SB107 established a “Last and Final” ROPS process that would, for qualifying agencies that elect to approve a “Last and Final” ROPS,

establish a schedule of enforceable obligations covering the duration of those obligations and turn the final ROPS over to the county auditor-controller to serve as the basis of all subsequent RPTTF distributions.

Prior to the Redevelopment Dissolution Law, the allocation of tax increment revenue to redevelopment agencies was dependent on each redevelopment agency demonstrating that it requires the tax increment revenue to repay its indebtedness through an annual Statement of Indebtedness filed by all agencies with their County Auditor-Controller. As described above, successor agencies are now required to list all obligations payable from tax increment revenue on a Recognized Obligation Payment Schedule and may only receive in bi-annual payments the amount of tax increment revenue required to meet those listed obligations. The Former Agency had regularly filed the previously required Statement of Indebtedness showing sufficient debt to claim its full amount of tax increment revenue. Since passage of the Redevelopment Dissolution Law, the Successor Agency has filed the required ROPS showing its obligations, including its outstanding bonded indebtedness, and expects to continue filing the ROPS in a timely manner. As noted under *County Litigation*, the Agency recently reached an agreement with the County resolving prior-year insufficiencies in the RPTTF that had prevented the Agency from fully meeting its County passthrough obligation in certain years.

The County Auditor-Controller charges an administration fee to recover property tax administration costs from the Agency and other jurisdictions under the Revenue and Taxation Code Section 95.3. The fee is based on County Auditor-Controller costs that vary from year to year so that the amount charged to each jurisdiction annually is variable. This fee is in addition to the administration fee authorized under the Redevelopment Dissolution Law. The combined property tax and AB x1 26 administration fees are estimated to amount to approximately \$2.6 million in FY 2017-18, or approximately 0.92% of the tax increment revenue from the Project Area.

Tax increment revenue calculations made in this Report use revenue from the secured, unsecured, utility and unitary rolls. As noted previously, supplemental roll revenues are not included in the projections of tax increment revenues used in this Report.

HOUSING SET-ASIDE FUND

As noted above under “*The Impact of the Redevelopment Dissolution Law*”, California redevelopment law prior to passage of the Redevelopment Dissolution Law required agencies to maintain a Low-Moderate Income Housing Fund and deposit into the fund a minimum of twenty percent of gross tax increment revenues annually. Although the twenty percent set-aside requirement was abolished by the Redevelopment Dissolution Law, there has been an ongoing pledge of the former housing set-aside revenue to pay debt service on outstanding housing bonds. With the issuance of the 2017 Bonds there will no longer be bonds secured by a pledge of the former housing set-aside revenue and the former housing set-aside revenue will be available for the 2017 Bonds and other Agency obligations.

THE REDEVELOPMENT PLANS

The Project Area is comprised of seventeen tax increment revenue-producing sub-areas, shown in Table 2 below. Park Center Plaza, the first sub-area, was established in July

1961 and contained in its plan a clause to cease generating tax increment revenue in January 2022, a limit no longer applicable under SB107. Almaden Gateway was originally established as a non-tax increment revenue generating sub-area; the plan was amended in 1996 to collect tax increment revenue from the area.

The Agency has several other sub-areas that do not generate tax increment revenues but were established to allow for the expenditure of tax increment revenue funds in those areas. The Strong Neighborhoods Initiative Project Area, which originally was a non-tax increment revenue generating part of the Project Area, was amended in 2009 to allow for the collection of tax increment revenue from the Diridon sub-area.

Plan Limits

Prior to SB107, the Former Agency could not receive tax increment revenues or repay indebtedness beyond certain dates, set forth in the redevelopment. However, as noted above under *“The Impact of the Redevelopment Dissolution Law”*, SB107 allowed redevelopment plan limits to be disregarded in order to pay Agency obligations.

Tax Increment Cap

Under California redevelopment law, redevelopment plans adopted prior to January 1, 1994 – which includes all revenue-producing sub-areas except Monterey Corridor and Diridon – were required to contain a limitation on the total amount of tax increment revenue the Agency could collect over the life of the redevelopment plan. As described under *“The Impact of the Redevelopment Dissolution Law”*, above, SB107 specifies that redevelopment agencies are no longer subject to tax increment caps with respect to the repayment of enforceable obligations. Therefore, in the event that the assessed value growth in the Project Area causes tax increment to reach the Project Area’s tax increment cap prior to the repayment of the Agency’s enforceable obligations, the Agency will be permitted to disregard the cap and continue to repay its enforceable obligations. Accordingly, the projections used in this Report disregard the tax increment caps contained in the original redevelopment plans.

Land Use

Land use in the Project Area is shown in Table 3 for FY 2017-18 and in comparison with FY 2007-08 in Table 4, with secured valuations shown by land use and sub-area for FY 2017-18 in Table 5. Twenty-six percent of the Project Area total assessed valuation is in industrial land uses, largely in the Rincon Original, Rincon Expansion and Rincon North sub-areas. Commercial uses account for approximately twenty-seven percent of Project Area total assessed valuation with office and retail properties in the Rincon South sub-area accounting for nineteen percent of the Project Area’s commercial properties. Residential land uses account for twenty-eight percent of the Project Area’s total assessed valuation, with forty-three percent of the Project Area’s residential assessed valuation deriving from multi-family developments in the Rincon Expansion sub-area.

Table 2
Project Area Acreage, Plan Adoption Dates and Revenue by Sub-Area

Sub-Area	Acreage	Plan Adoption Date	Base Year Valuation	2017-18 Assessed Valuation	AV Change Over 2016-17	2017-18 Tax Increment *	Percentage of 2017-18 Tax Increment
Industrial Areas							
Rincon Expansion	1,224	7/3/79	\$36,472,538	\$7,822,145,731	9.0%	\$ 77,856,732	27.3%
Rincon North	1,699	6/8/82	20,098,096	5,325,928,654	0.2%	53,058,306	18.6%
Rincon Original	1,872	7/16/74	109,115,148	4,408,582,779	12.4%	42,994,676	15.1%
Rincon South **	-	6/8/82	147,429,045	2,422,414,028	15.2%	22,749,850	8.0%
Edenvale	1,050	7/15/76	275,286,204	2,960,322,236	20.4%	26,850,360	9.4%
Edenvale East	995	9/1/81	11,118,117	998,332,700	7.9%	9,872,146	3.5%
Julian Stockton	330	7/15/76	74,204,098	847,342,325	6.9%	7,731,382	2.7%
Monterey Corridor	515	12/13/94	230,502,971	642,079,512	9.6%	4,115,765	1.4%
Olinder	158	7/15/76	14,477,208	333,765,546	8.7%	3,192,883	1.1%
<i>Rincon Sub-Total</i>	<i>4,795</i>		<i>313,114,827</i>	<i>19,979,071,192</i>	<i>7.9%</i>	<i>196,659,564</i>	<i>69.1%</i>
<i>Edenvale Sub-Total</i>	<i>2,045</i>		<i>286,404,321</i>	<i>3,958,654,936</i>	<i>17.0%</i>	<i>36,722,506</i>	<i>12.9%</i>
<i>Other Sub-Total</i>	<i>1,003</i>		<i>319,184,277</i>	<i>1,823,187,383</i>	<i>8.2%</i>	<i>15,040,031</i>	<i>5.3%</i>
Total, Industrial Areas	7,843		\$918,703,425	\$25,760,913,511	9.2%	\$248,422,101	87.3%
Downtown Areas							
San Antonio Plaza	50	1/3/68	5,725,120	879,258,774	7.0%	\$ 8,735,337	3.1%
Park Center Plaza	61	7/24/61	\$12,514,908	\$801,046,226	-3.5%	\$7,885,313	2.8%
Guadalupe Auzerais	73	5/19/83	16,650,517	674,135,419	9.7%	6,574,849	2.3%
Almaden Gateway	21	4/7/88	93,132,038	662,755,560	7.4%	5,696,235	2.0%
Century Center	18	11/8/83	12,758,532	275,026,130	16.8%	2,622,676	0.9%
Pueblo Uno	12	7/8/75	21,292,173	271,390,105	6.8%	2,500,979	0.9%
Market Gateway	32	11/8/83	15,200,771	242,453,282	14.2%	2,272,525	0.8%
Diridon ***	59	5/19/09	80,838,277	81,811,074	3.1%	9,728	0.0%
Total, Downtown Areas	326		\$258,112,336	\$3,887,876,570		\$36,297,642	12.7%
Total, Project Area	8,169		\$1,176,815,761	\$29,648,790,081	8.8%	\$284,719,743	100.0%

* Tax increment revenues including revenue from the one percent property tax levy only.

** Acreage combined for Rincon South/Rincon North.

*** The FY 2017-18 assessed valuation in the Diridon sub-area exceeded the sub-area's base year valuation for the first time; the sub-area had not previously produced tax increment revenue. The Strong Neighborhoods Initiative Project Area was amended to allow for the collection of tax increment revenue in the Diridon sub-area; the remainder of the Strong Neighborhoods Initiative Project Area does not generate tax increment revenue and is not shown. The Former Agency also adopted redevelopment plans for other project areas including Mayfair, West San Carlos Street, Alameda, Neighborhood Cluster and Japantown which do not generate tax increment and are not shown.

Source: Successor Agency and Urban Analytics

Table 3
Land Use in the Project Area, FY 2017-18

Land Use	Assessed Valuation	Distribution of Assessed Valuation	Number of Properties	Distribution of Properties
<i>Secured and Utility</i>				
Industrial	\$7,811,038,347	26.3%	1,070	8.7%
Commercial	7,909,788,401	26.7%	1025	8.3%
<i>Residential:</i>				
Single-Family	335,478,498	1.1%	568	4.6%
Condo/Townhouse	1,858,463,410	6.3%	3,406	27.7%
Multi-Family, Other	5,949,934,721	20.1%	1,209	9.8%
Vacant	823,753,484	2.8%	344	2.8%
Other *	736,445,549	2.5%	675	5.5%
Total Secured and Utility	\$25,424,902,410	85.8%	8,297	67.6%
Unsecured **	4,223,887,671	14.2%	3,981	32.4%
Total	29,648,790,081	100.0%	12,278	100.0%

* Includes utility roll valuation of \$262.0 million and the Homeowner Property Tax Relief exemption of \$15.5 million.

** Unsecured property valuation is primarily industrial, with Cisco Systems comprising \$1.2 billion of the total shown.

Source: County of Santa Clara; Urban Analytics

Table 4
Assessed Valuation By Land Use, FY 2007-08 and 2017-18 (x 1,000,000)

Land Use	FY 2007-08		FY 2017-18		Change Since FY 2007-08	
	Assessed Valuation	Percent of Total	Assessed Valuation	Percent of Total	Assessed Valuation	Percent Change
<i>Secured And Utility</i>						
Industrial	\$6,552	36.3%	\$7,811	26.3%	\$1,259	19.2%
Commercial	4,171	23.1%	7,910	26.7%	3,739	89.6%
Residential	2,373	13.1%	8,144	27.5%	5,771	243.2%
Vacant	513	2.8%	824	2.8%	311	60.6%
Other *	340	1.9%	736	2.5%	397	116.7%
Total Secured and Utility	\$13,948	77.3%	\$25,425	85.8%	\$11,476	82.3%
Unsecured **	4,105	22.7%	4,224	14.2%	118	2.9%
Total	\$18,054	100.0%	\$29,649	100.0%	\$11,595	64.2%

* Includes utility roll valuation and the Homeowner Property Tax Relief exemption.

** Unsecured property valuation is primarily industrial.

Source: County of Santa Clara; Urban Analytics

Table 5
Secured Valuation By Land Use And Sub-Areas, FY 2017-18

	Industrial	Commercial	Single-Family	Condominium	Multi-Family	Vacant	Other	Total
Industrial Areas								
Rincon Expansion	1,910,728,687	911,781,934	2,318,155	623,286,281	3,512,576,401	77,723,962	6,897,594	7,045,313,014
Rincon North	1,704,233,202	1,013,054,157	85,173,461	120,953,425	911,600,932	53,610,046	3,922,006	3,892,547,229
Rincon Original	2,304,252,080	888,211,893	0	0	0	222,352,521	76,373,783	3,491,190,277
Rincon South	70,302,269	1,515,804,665	0	125,357,894	317,629,388	14,421,286	121,540,394	2,165,055,896
Edenvale	761,931,199	387,783,035	223,314,120	342,308,398	469,674,737	225,377,351	26,724,078	2,437,112,918
Edenvale East	558,555,179	74,667,527	3,770,286	0	61,965,019	57,838,142	37,155,953	793,952,106
Julian Stockton	40,180,251	352,888,147	10,721,590	121,948,233	194,186,492	33,418,292	35,482,630	788,825,635
Monterey Corridor	360,939,871	122,412,282	5,128,506	0	54,312,546	20,199,958	9,471,793	572,464,956
Olinder	91,762,205	195,853,546	232,742	0	814,979	812,098	13,718,156	303,193,726
<i>Rincon Sub-Total</i>	<i>5,989,516,238</i>	<i>4,328,852,649</i>	<i>87,491,616</i>	<i>869,597,600</i>	<i>4,741,806,721</i>	<i>368,107,815</i>	<i>208,733,777</i>	<i>16,594,106,416</i>
<i>Edenvale Sub-Total</i>	<i>1,320,486,378</i>	<i>462,450,562</i>	<i>227,084,406</i>	<i>342,308,398</i>	<i>531,639,756</i>	<i>283,215,493</i>	<i>63,880,031</i>	<i>3,231,065,024</i>
<i>Other Sub-Total</i>	<i>492,882,327</i>	<i>671,153,975</i>	<i>16,082,838</i>	<i>121,948,233</i>	<i>249,314,017</i>	<i>54,430,348</i>	<i>58,672,579</i>	<i>1,664,484,317</i>
Total, Industrial Areas	7,802,884,943	5,462,457,186	330,658,860	1,333,854,231	5,522,760,494	705,753,656	331,286,387	21,489,655,757
Downtown Areas								
Park Center Plaza	-	805,141,399	-	-	-	-	44,698,734	849,840,133
San Antonio Plaza	-	421,471,754	1,115,578	280,608,692	31,049,025	8,897,831	6,679,891	749,822,771
Guadalupe Auzerais	944,541	562,472,236	3,194,771	-	798,753	22,975,714	28,912,209	619,298,224
Almaden Gateway	3,190,304	233,216,285	0	203,001,868	155,524,117	10,363,183	39,780,000	645,075,757
Pueblo Uno	-	217,339,102	-	-	-	4,815,328	1,824,271	223,978,701
Century Center	-	106,539,565	-	40,998,619	107,667,981	-	4,025,751	259,231,916
Market Gateway	-	78,953,258	-	-	132,134,351	18,147,884	1,210,941	230,446,434
Diridon	4,018,559	22,197,616	509,289	0	0	52,799,888	327,589	79,852,941
Total, Downtown Areas	8,153,404	2,447,331,215	4,819,638	524,609,179	427,174,227	117,999,828	127,459,386	3,657,546,877
Total, Project Area	7,811,038,347	7,909,788,401	335,478,498	1,858,463,410	5,949,934,721	823,753,484	458,745,773	25,147,202,634

Note: Valuations include homeowner's exemptions. Excluding homeowner's exemptions, the secured assessed valuation is \$25,162,898,501. Utility roll values of \$262,003,909 are not included. Non-tax increment revenue generating sub-areas are not included.

Source: County of Santa Clara; Urban Analytics

TAX-SHARING OBLIGATIONS

Overview

Under redevelopment law at the time of the adoption of most sub-areas within the Project Area, taxing jurisdictions that would experience a fiscal burden caused by the existence of the redevelopment plan could enter into fiscal agreements with redevelopment agencies to alleviate that burden. Such agreements, known as fiscal agreements or passthrough agreements and authorized under former Section 33401 of the Health and Safety Code, generally provide that redevelopment agencies pay to a taxing entity some or all of that entity's share of the tax increment revenues received by the agency. The agreements were the product of negotiations between the taxing entities and a redevelopment agency. Taxing entities could separately receive their share of the growth in valuation due to inflation, known as Section 33676 payments or the 2% payments; none are receiving these payments in the Project Area.

Under the 1994 amendments to redevelopment law through AB1290, these fiscal agreements were eliminated for all new plans in favor of a statutory payment schedule. The schedule under AB1290 also applies to any extension of certain fiscal limits in those existing plans without fiscal agreements. All of the sub-areas are subject to the statutory passthrough payments.

County Fiscal Agreement

The Former Agency entered into a passthrough agreement under Section 33401 with the County of Santa Clara in 1983, at the time of the establishment of the Rincon North and South sub-areas. Under that agreement, the Former Agency paid (and now the County Auditor-Controller pays from the Successor Agency's RPTTF) to the County a portion of the tax increment revenue from the Merged Area exclusive of the Rincon South and Almaden Gateway sub-areas under a formula contained in the agreement and, under a second formula, a portion of the revenue from the Rincon South and Almaden Gateway sub-areas. The amount of this payment in FY 2017-18 is estimated to be \$35.0 million. The County does not receive separate statutory payments under AB1290, although annual payments under the County passthrough agreement are to be no less than those the County would receive were they to receive statutory passthroughs.

The 1983 agreement was continued under the terms of a Settlement Agreement dated December 16, 1993, and again under the terms of an Amended and Restated Agreement entered into on May 22, 2001. Due to actual revenues being lower than previously budgeted, the Former Agency had suspended some or all of its payments to the County under the agreement from FY 2008-09 through FY 2012-13. The County filed a lawsuit which was resolved through a 2011 Settlement Agreement under which the Former Agency agreed to repay the \$58.27 million in unpaid payments through proceeds of a bond issue, payment of unrestricted funds, transfer of title of certain properties to the County, and installment payments in fiscal years 2013-14 through 2017-18.

Under the terms of the fiscal agreement with the County, all payments under both the agreement and the Settlement Agreement are subordinate to the payment of debt service on the Agency's bonds (such subordination continues post-Dissolution).

Under the Redevelopment Dissolution Law, the County Auditor-Controller is responsible for calculating and distributing all passthrough payments, including that to the County. For each RPTTF payment from June 1, 2012 through January 1, 2017, the County Auditor-Controller determined that the Agency did not have sufficient revenue available in its RPTTF to meet all of its enforceable obligations, and consequently the County was not paid the County passthrough obligation for a number of RPTTF distribution periods. To date, the cumulative unpaid County passthrough obligation, including accrued interest, has been paid down from increased RPTTF, PERS levy, and property sales revenues and is expected to be fully paid by June 30, 2018.

Statutory Passthrough Payments

All new redevelopment plans adopted since 1994 - and all existing plans amending certain fiscal terms or adding territory - became subject to a statutorily defined set of passthrough requirements and plan limitations generally known as AB1290 requirements. The statutory passthrough payments eliminated the need to separately negotiate passthrough agreements with each affected taxing entity. As discussed further below, these statutory passthrough payments have been subordinated to debt service payments on the 2017 Bonds.

As noted above, the Former Agency in 2001 elected to eliminate the time limit on the establishment of indebtedness contained in its redevelopment plans. This triggered a statutory requirement that passthrough payments be made to all taxing entities that did not already have a fiscal agreement with the Agency, which included all taxing entities with the exception of the County. Payments commenced in FY 2002-03, the year following the expiration of the original limit on the establishment of indebtedness.

Under the AB1290 mechanism, pass-through payments are made to all jurisdictions receiving a portion of the basic one percent levy, except jurisdictions having pre-existing passthrough agreements established prior to 1994. The pass-through payments are made in three periods, or tiers, each beginning in a different year - years one, eleven, and thirty-one - and extending through the plan's remaining duration. The payments received by each jurisdiction are based on a specified percentage of the growth in assessed valuation over a base (the assessed valuation in the year prior to the beginning of a period), multiplied by the AB8 apportionment factor for the jurisdiction.

Payments under tier one derive only from increases in assessed valuation over the initial year. For payments under tiers two and three, payments derive from future base levels of assessed valuation. The payments are limited to fixed percentages of those increases after deduction of the former housing set-aside (25% of tier one increases, 21% of tier two increases and 14% of tier three increases). Tax revenue from assessed valuation above the original project area base year assessed valuations and below the AB1290 base levels is available to meet the Agency's obligations along with the revenue from each tier not distributed to taxing entities. Pass-through payments were calculated and paid by the Former Agency prior to the Redevelopment Dissolution Law; the County Auditor-Controller now makes these payments to taxing entities.

Under Section 33607.5 of the Health and Safety Code, the County Auditor-Controller is required to reduce its payments to affected taxing entities by any amounts paid to those entities for public facilities. With respect to school districts, community college districts and county offices of education, these reductions can only apply to the portion of the pass-

through payment considered under the statute to be for educational facilities; these portions are, respectively, 56.7%, 52.5% and 81%. With respect to other entities, the full amount of the passthrough payment is subject to such reimbursement offsets.

While the City is entitled to passthrough payments from the first tier only, these payments are offset in their entirety by the statutorily-required reimbursement of prior facilities payments made on the City's behalf by the Former Agency. The Agency's prior-year payments to the City for public facilities are deducted annually from the City's passthrough payments, fully offsetting the annual amount of the passthrough payments.

The San Jose Unified School District had received facilities payments from the Former Agency in prior years. The pass-through payments to this district were reduced, in accordance with the statute, to reimburse the Former Agency for the facilities payment. As of FY 2015-16, the County Auditor-Controller reported that the facilities deduction was completed and no further offsets will be applied.

The Former Agency had also provided facilities funding for the Santa Clara Valley Water District in prior years. As of FY 2016-17, the unreimbursed portion of that funding was estimated to be approximately \$7.9 million. As the full amount of passthrough payments to the Santa Clara Valley Water District is subject to offsetting reimbursement, the Agency expects that 100%, or approximately \$1.3 million of its statutory passthrough obligation to the District in FY 2017-18, will be applied to the reimbursement. The County Auditor-Controller is responsible for calculating and implementing the payment offset.

The aggregate amount of statutory passthrough payments owed by the Successor Agency from the Project Area are estimated to be \$26.5 million during FY 2017-18, after reimbursement of the facilities payments and excluding any passthrough payments from supplemental revenue, which are not included in the projections used in this Report. Under California redevelopment law the agency may subordinate the statutory passthrough payments to the repayment of indebtedness. On May 24, 2017, the Successor Agency notified the entities receiving statutory pass-through payments of its intent to subordinate the statutory pass-through payments to the repayment of the 2017 Bonds. [Revise as needed following discussions w/SJUSD:] In the absence of any disapproval by a taxing entity based on substantial evidence that the Agency will not be able to pay its pass-through obligation and the debt service payments, the subordination request was deemed approved on July 10, 2017.

A 2010 court decision in Los Angeles County could potentially increase the statutory passthrough payments required to be paid by the County Auditor-Controller from the Agency's RPTTF to the school districts under AB1290. The decision held that the school districts' share, for passthrough payment calculation purposes, should take into account the amount they receive from the ERAF fund. The County of Santa Clara has reported that, as it is not within the legal jurisdiction of the Second Appellate District, the County does not intend to follow the direction of the court in this matter. A review of the appellate court decision was denied by the California Supreme Court.

If the County determines that passthrough payments should be allocated in the manner determined by the LAUSD case, there are a number of implementation mechanisms that could be applied by the County. Under one mechanism used by at least one other county that has chosen to implement the LAUSD decision, the ERAF shares of the passthrough payments made to non-school entities are deducted from the passthrough payments to

those entities and distributed proportionally to the school entities. If the County were to apply this approach, there would be no effect on the Agency, as it would simply redistribute a portion of existing passthrough revenue toward the schools. Under another possible mechanism, the County could distribute the ERAF factors of all non-school entities to the school entities regardless of whether the non-school entities received passthrough payments or not, resulting in higher allocation factors to the school entities. If the County implemented such an approach, the Agency could be required to pay a higher amount to the school districts in statutory passthrough payments with a relatively minor corresponding decrease in passthrough payments to other taxing entities. While neither the County's future interpretation of the LAUSD decision nor its implementation mechanism, if any, can be known, the potential impact to the Agency of such higher passthrough payments can be estimated by applying the average ERAF allocation across all project areas of approximately 7% to the potential total amount of AB1290 passthrough payments (including the amounts that would be paid to the City if it were not offset by prior facilities payments and to the County if it were not paid under the fiscal agreement), resulting in approximately \$554,000 in additional passthrough payments to the school districts for FY 2017-18.

The Former Agency previously had an agreement with the Santa Clara Unified School District under which the Agency was to make payments to the District under Section 33676. That agreement is no longer in effect, as the District agreed instead to receive a statutory passthrough payment under AB1290.

LEGISLATION

The principal recent legislative change affecting the Agency was the Redevelopment Dissolution Law, discussed above under “*The Impact of the Redevelopment Dissolution Law*”

Legislation adopted during the 2008-09 State budget process (AB26x4) and follow-up legislation (SB68) included a requirement that agencies make payments by May 10, 2010 and May 10, 2011 to a Supplemental ERAF account (SERAF). The Former Agency's payments were \$62.2 million for 2009-10 and \$12.8 million for 2010-11. The Former Agency met its 2009-10 and 2010-11 SERAF obligations through a combination of funds borrowed from available funds in the Housing Fund and other funds borrowed from the City of San Jose. A portion of these borrowed funds are currently being repaid through the RPTTF, as permitted under Redevelopment Dissolution Law; the remainder were invalidated and were not reinstated by the Oversight Board and were subsequently removed from the Successor Agency's Financial Statements..

COUNTY LITIGATION

The City, on behalf of itself, and the Successor Agency, filed a lawsuit on June 26, 2012, entitled *City of San Jose as Successor Agency to the San Jose Redevelopment Agency v. Vinod Sharma, County of Santa Clara, et al.*, Case No. 34-2012-8000190, in the Superior Court for Sacramento County (“PERS Levy Lawsuit”). The suit sought to compel the County Auditor Controller to disburse funds to the Successor Agency which the Former Agency previously received as tax increment. In June, 2012, the County began withholding a portion of defined tax increment claiming the withheld amounts were attributable to special levies, including a contribution to the County's employees' retirement program (the “PERS

Levy”) and a levy for the benefit of the Santa Clara Valley Water District (the “Water District Levy”).

The County asserted that, although it previously disbursed these funds to the Former Agency as tax increment, the Former Agency was never entitled to receive funds attributable to these levies. The lawsuit will also determine the priority of the County’s passthrough payments under the 2001 Amended and Restated Agreement. The Sacramento Superior Court ruled that the County Auditor Controller could not withhold funds attributable to the PERS levy from the Successor Agency and that the Redevelopment Dissolution Law did not require the County to subordinate its passthrough payments to any Agency debt other than secured bond debt. The Superior Court did not rule on the Water District Levy.

The City and County both appealed the Superior Court decision to the Third District Court of Appeal, Case No. C074539 (“Court of Appeal”). The Court of Appeal held oral argument on September 26, 2016. On November 3, 2016, the Court of Appeal issued a decision finding that the PERS levy tax increment was wrongfully withheld by the County prior to September 22, 2015 (the effective date of SB107), and the issue of the withholding of that increment after that date to the present is to be the subject of a further trial court hearing. In addition, the appellate court found that the County’s passthrough agreement was subordinate to bond debt of the Agency, but not other Agency debt based upon the express provisions of the Redevelopment Dissolution Law. The County appealed this decision to the California Supreme Court, which denied review of the appeal on February 1, 2017.

On August 18, 2017, the Agency, the City, and the County entered into a Settlement Agreement resolving the PERS Levy Lawsuit (“2017 Settlement Agreement”). Pursuant to the 2017 Settlement Agreement, as of August 1, 2017, the County is owed \$13,480,247 under the 2011 Settlement Agreement and \$2,626,878 as passthrough under the County fiscal agreement for a total outstanding amount owed to the County of \$16,107,125. Interest accrues on these amounts commencing on August 1, 2017.

As shown in Table 16, The County Auditor-Controller has included \$10.7 million in the January 2018 RPTTF for payment of prior-year County passthrough payments and the remaining \$5.4 million is expected to be included in the June 2018 RPTTF. Tax increment calculations used in this Report do not incorporate revenues from the County or Santa Clara Valley Water District debt levies which will not be pledged to the Bonds.

TAX RATES

The tax rate applicable to redevelopment incremental assessed valuation includes the basic one percent levy. In addition, redevelopment agencies receive tax revenue from debt service override levies imposed to repay indebtedness approved by voters prior to January 1, 1989.

The County of Santa Clara imposes one pre-1989 levy, for a retirement fund, in all tax rate areas comprising the Project Area. That levy is applied to the full tax roll. The Santa Clara Valley Water District levied a pre-1989 rate, against land and improvements only, in all tax rate areas comprising the Project Area. Historically, both of these levies accrued to the Former Agency, and subsequently to the Successor Agency, as tax increment revenue.

As described further above (“*County Litigation*”), the County Auditor-Controller has withheld tax increment revenue derived from both of these tax levies from the tax increment revenues paid to the RPTTF. Pursuant to the 2017 Settlement Agreement, among other things, the Successor Agency agreed not to pledge the PERS Levy or the Water District Levy to the 2017 Bonds and any future indebtedness obligations. Therefore, such levies will not be available for debt service on the 2017 Bonds.

The Agency has no power to levy a property tax itself, has no control over the override levy, and will not receive tax revenue from any levy for indebtedness approved by voters after January 1, 1989.

HISTORICAL AND CURRENT ASSESSED VALUATION

The County Auditor-Controller annually reports roll valuations and tax increment revenues in the Project Area, shown in Table 6 and Table 7. The County Assessor assigns values attributable to land and structures to the secured roll and business fixtures and equipment to the unsecured roll; utility properties are separately assessed by the State Board of Equalization and reported to the County Assessor. Total assessed valuation in the Project Area grew from \$7.0 billion in 1995-96 to \$29.6 billion in FY 2017-18, an overall increase of 323% and an average annual growth of 7.1%.

Following decreases in FY 2010-11 and 2011-12, annual increases in Project Area assessed valuation ranged between 2.2% and 11.9% through FY 2017-18, bringing total Project Area valuation to an historical high of \$29.6 billion. The recent gains in valuation include those noted under “*Largest Assesseees*”: increased personal property and fixture valuations as well as new construction and sales. For FY 2017-18, the secured roll gained approximately \$2.4 billion in valuation as compared to FY 2016-17, while the unsecured roll increased by \$125,958 and the utility roll decreased by \$14,875.

The Project Area had experienced declines in assessed valuation over an earlier three-year period (FY 2003-04 through FY 2005-06) which was also due to the effects of a weakened local economy (Table 7). The Project Area also experienced double-digit increases in assessed valuation from FY 1997-98 through FY 2001-02, a period of substantial new development in the Rincon sub-areas.

Growth in the Project Area for FY 2017-18 roll year was spread across all sub-areas except Park Center Plaza, as shown previously in Table 2. The two sub-areas with the largest valuation gains were Rincon Expansion, with a \$645.3 million increase in valuation, and Edenvale, with a \$500.9 million increase. The increases in both sub-areas were primarily due to sales and development of several multi-family properties, particularly those owned by the Irvine Company and ICS Transit Village, as described further under *Largest Assesseees*.

Table 6
Historical Assessed Valuations in the Project Area (X 1,000)

Roll	2013-14	2014-15	2015-16	2016-17	2017-18
<i>Secured</i>					
- Land	6,094,816	6,393,046	6,830,195	7,551,718	8,371,055
- Improvements	10,104,241	11,157,050	13,047,680	14,902,850	16,673,257
- Personal Property	724,885	1,104,163	1,077,419	1,064,723	912,935
- Exemptions *	444,093	643,257	670,040	722,187	794,348
Secured Total	16,479,849	18,011,002	20,285,254	22,797,104	25,162,899
<i>Unsecured</i>					
- Land	11,938	0	0	0	0
- Improvements	948,095	1,005,865	1,070,373	1,062,313	1,322,537
- Personal Property	3,135,625	2,997,769	2,868,822	3,114,412	2,966,317
- Exemptions *	68,114	68,441	59,752	78,795	64,967
Unsecured Total	4,027,544	3,935,193	3,879,443	4,097,930	4,223,888
<i>Utility</i>					
- Land	38,994	42,624	41,512	33,828	33,828
- Improvements	220,704	269,576	267,276	243,051	228,176
- Personal Property	0	0	0	0	0
- Exemptions *	0	0	0	0	0
Utility Total	259,698	312,200	308,788	276,879	262,004
Totals:	20,767,091	22,258,395	24,473,485	27,171,913	29,648,790
Percent Change	11.9%	7.2%	10.0%	11.0%	9.1%

* Exemptions excluding the homeowner's property tax relief exemption, which is reimbursed by the state and disregarded in the County's calculation of tax increment revenues.

Source: County of Santa Clara

The secured roll accounted for approximately 85% of the total valuation in the Project Area in FY 2017-18. Commercial and industrial properties account for approximately 53% of the total secured valuation in the Project Area (see Table 3 above), while residential properties account for approximately 42% of the number of parcels in the Project Area and approximately 28% of the assessed valuation. The unsecured roll comprised approximately 14% of the Project Area's total valuation in FY 2017-18, with approximately 28% of the unsecured valuation from properties owned by Cisco Systems. The non-unitary utility roll accounts for approximately 1% of Project Area valuation.

Project Area growth for FY 2017-18 was driven by new development on properties, defined as increases in improvement valuation above the inflation factor with no change in ownership, adding approximately \$1.4 billion (57.2%) of the annual valuation gains, as well as by transfers of ownership, contributing approximately \$0.6 billion (25.3%) of gains. The restoration of land valuation previously reduced under Proposition 8, defined as increases in land valuation above the inflation factor with no change in ownership, accounted for approximately \$147.1 million (26.1%) of valuation gains for the year (the County Assessor does not indicate which properties are subject to Proposition 8 reductions on the tax roll itself). A review of the properties experiencing an increase in improvements with no change in ownership indicates that most of the valuation gain was from the construction of apartment buildings and commercial properties. Valuation growth over the past five years has similarly been attributable to new development (approximately 41.8% of 5-year growth),

new ownership (approximately 24.8%) and the restoration of Proposition 8 reductions (approximately 2.3%).

The historical tax increment revenues, shown in Table 7, includes the one percent levy as well as, for years prior to FY 2012-13, the additional debt service levies applied to the incremental assessed valuation. Gross tax increment revenues increased over the FY 1995-96 to FY 2017-18 period from approximately \$68.2 million to an estimated \$284.8 million, a gain of 317% or, on average, approximately 14% per year.

As noted previously, supplemental assessments are assessments of properties for which new construction or sales occurred during a tax year. The assessments are for the pro-rated portion of the remaining tax year and, if the construction or sale occurs after the January 1 lien date, for full value of the property during the subsequent tax year. The revenues from supplemental assessments, where available, are shown in Table 7.

In addition to tax revenue from the incremental secured, unsecured and utility roll values the Agency receives revenue from the unitary roll (AB454 revenue). This amount, not shown separately in Table 7, is estimated to be \$3.0 million in FY 2017-18. Table 7 also deducts the property tax administration fees, described under *The Impact Of The Redevelopment Dissolution Law*, estimated to be \$2.6 million in FY 2017-18.

Homeowners are entitled to receive an exemption of \$7,000 on the assessed valuation of their residence. a program referred to as the Homeowner's Property Tax Relief (HOPTR). As the State reimburses counties for this exemption, most counties, including Santa Clara County, do not deduct the homeowner's exemption when calculating the tax increment revenue due to successor agencies. The assessed valuations used in this report exclude the homeowner's exemption, except where noted.

Table 7
Project Area Assessed Valuations and Tax Increment Revenues,
Fiscal Years 1995-96 through 2017-18 (x 1,000)

Fiscal Year	Assessed Value (1)	Percentage Change	Tax Increment (2)	Supplemental Assessments (3)	Tax Increment With Supplementals	Percentage Change
1995-96	\$ 7,016,990	-	\$ 67,878	\$ 355	\$ 68,233	-
1996-97 (4)	7,680,818	6.7%	74,372	1,650	76,022	11.4%
1997-98	9,292,365	21.0%	91,113	5,100	96,213	26.6%
1998-99	11,228,356	20.8%	106,298	5,918	112,217	16.6%
1999-00	12,382,598	10.3%	119,982	9,734	129,717	15.6%
2000-01	13,776,343	11.3%	136,088	6,063	142,151	9.6%
2001-02	17,879,595	29.8%	175,926	12,533	188,459	32.6%
2002-03	18,732,944	4.8%	187,686	10,340	198,026	5.1%
2003-04	16,962,642	-9.5%	168,502	1,706	170,208	-14.0%
2004-05	15,040,831	-11.3%	148,767	840	149,607	-12.1%
2005-06	15,015,576	-0.2%	148,328	1,491	149,819	0.1%
2006-07	16,091,802	7.2%	160,598	1,221	161,819	8.0%
2007-08	18,053,654	12.2%	179,763	5,179	184,942	14.3%
2008-09	19,510,189	8.1%	194,929	7,416	202,346	9.4%
2009-10	20,003,431	2.5%	197,559	4,850	202,409	0.0%
2010-11	18,494,534	-7.5%	181,774	1,871	183,645	-9.3%
2011-12	18,153,377	-1.8%	170,554	-676	169,898	-7.5%
2012-13	18,540,165	2.1%	173,243	NA	173,243	2.0%
2013-14	20,767,090	12.0%	193,140	NA	193,140	11.5%
2014-15	22,258,394	7.2%	211,935	NA	211,935	9.7%
2015-16	24,473,485	10.0%	222,305	8,800	231,105	9.0%
2016-17	27,171,913	11.0%	257,371	19,893	277,263	20.0%
2017-18	29,648,790	9.1%	284,839	NA	284,839	NA

- (1) Total assessed value for the Project Area. Tax increment revenue calculated on incremental assessed value, after subtracting base year assessed value from total assessed value. The Project Area's base year value for FY 2017-18 is \$1,176,816, including the Diridon sub-area.
- (2) Includes unitary roll revenue and property tax administration fees. For 2012-13 and later, tax increment revenue excludes PERS and Water District debt service levies and includes roll corrections (FY 2017-18 roll corrections not yet available).
- (3) Not reported for FY 2012-13, 2013-14 and 2014-15; not yet available for FY 2017-18. Supplemental revenue is a highly variable revenue source and is excluded from the projections used in this report.
- (4) Includes Park Center, which was merged in 1996.

Source: Successor Agency, Urban Analytics.

LARGEST ASSESSEES

The twenty largest assessees in the Merged Area Project are shown in Table 8 for FY 2017-18. The twenty largest owners comprise 33.1% of the total valuation in the Project Area and 34.5% of the Project Area's total incremental assessed valuation, while the ten largest owners accounted for 25.6% of Project Area total assessed valuation and 26.7% of total incremental assessed valuation. The assessed valuations for the twenty largest owners increased by 7.3% over their FY 2016-17 valuations, as shown in Table 9. Since FY 2003-04, the ten largest owners have increased as a percentage of total Project Area valuation from 28.5% to a high of 36.2% in FY 2007-08 before decreasing to 25.6% of total Project Area valuation by FY 2017-18 (Table 10). Descriptions of the ten largest owners follow.

The Irvine Company, the largest property owner in the Project Area with approximately \$2.5 billion (8.4%) of the Project Area's total assessed valuation, is a housing developer and property manager with thirty-one parcels, primarily apartment complexes and an office park. As shown in Table 11, the apartment complexes, with their FY 2017-18 assessed valuation, are the Crescent Village (\$752.2 million), North Park (\$715.0 million), RiverView (\$662.5 million) and River Oaks (\$215.9 million) complexes in the Rincon Expansion sub-area. Commercial properties are the Silicon Valley Office Center (\$129.9 million) in the Rincon Original sub-area and a commercial property (\$26.0 million) in the Rincon North sub-area. These properties have increased in valuation by 74.4% over the past five years. The company's Project Area assessed valuation experienced an increase of \$163.6 million (7.0%) in FY 2017-18 due primarily to further development of two parcels in the Riverview and River Oaks properties.

Cisco Systems has a total property valuation of approximately \$2.3 billion, or 7.9% of total Project Area valuation, in a campus-style corporate headquarters. The assessor maintains valuations for the company on both the secured and unsecured rolls, with land and structures assigned to the secured roll and business fixtures and equipment to the unsecured. The company's property on the secured roll totals \$1.1 billion and is located on 29 parcels in the Rincon North and Rincon Expansion sub-areas. \$682 million of the company's \$1.2 billion in unsecured valuation is located at a Cisco-owned parcel at 300 East Tasman Drive in the Rincon North sub-area; the remainder is located on 32 other parcels in the two sub-areas. The company accounts for 28% of the Project Area's \$4.2 billion in unsecured valuation. The company's total assessed valuation on properties in the Project Area decreased by \$207.1 million or 8.1% from FY 2016-17 to FY 2017-18, as shown in Table 11; this decrease was largely on the unsecured roll and follows an increase of \$191.2 million between FY 2015-16 and FY 2016-17, also largely on the unsecured roll. In Fiscal Year 2013-14, Cisco sold 8 parcels with a combined secured valuation of \$107.7 million to TMG Partners and Fortress Investment Group in the Project Area; this sale was preceded by a decrease in unsecured assessed valuation of \$0.8 billion on one of the parcels sold. The reassessment of these properties upon the change in ownership resulted in a \$46.1 million increase in assessed value in the Project Area. Over a five-year span that includes the sale of those parcels, Cisco Systems total assessed valuation has decreased from \$2.5 billion to \$2.3 billion, as shown in Table 12.

Western Digital with \$417.7 million (1.4% of the Project Area's assessed valuation), owns two properties in the Edenvale sub-area that had formerly been owned by IBM and were later part of Hitachi's Global Storage Technologies division, a manufacturer of computer hard drives. This division was purchased by Western Digital in March of 2012, however the

property owner continues to be shown as Hitachi on the rolls. The company's assessed valuation on properties in the Project Area decreased in FY 2017-18 by \$16.1 million (3.7%) from FY 2016-17, largely due to a decrease in personal property valuation on its main property.

Apple Inc owns and leases (with an option to acquire) 86.35 acres along Orchard Parkway in the Rincon Original sub-area that the company has entitlements to develop with up to 4.2 million square feet of office, research and development, manufacturing and related uses. The FY 2017-18 assessed valuation of these properties is \$415.1 million, or 1.4% of total Project Area valuation. The company's holdings increased by \$200.7 million between FY 2016-17 and FY 2017-18 for a gain of 93.6%.

Adobe Systems, a software company headquartered in three office buildings in the Park Center Plaza sub-area, accounts for \$402.5 million of Project Area assessed valuation (approximately 1.4% of the total) in FY 2017-18. The company's assessed valuation increased by 8.8% from FY 2016-17.

Samsung Semiconductor's North American headquarters is located on North First Street in the Rincon North sub-area and accounts for 1.3% of the Project Area's assessed valuation. The property was constructed over the past four years; the current valuation is \$388.4 million, an increase of \$25.5 million over the FY 2016-17 valuation.

Equity Tasman Apartments is a 554-unit apartment project in the Rincon North sub-area that has been developed in the last two years. The property's FY 2017-18 assessed valuation is \$298.6 million (1.0% of Project Area total valuation), an increase of \$129.7 million (76.8%) from FY 2016-17.

Hudson Concourse LLC purchased three office buildings in FY 2015-16 previously owned by Blackhawk Parent LLC in the Rincon South sub-area, which total \$296.0 million or 1.0% of the Project Area's total valuation, an increase of 1.0%. The Assessor reports 93 unsecured assessments for businesses leasing space in the three buildings with a total of \$29.5 million in assessed valuation for FY 2017-18.

Brocade Communications Systems, with \$270.6 million (0.9%) of the Project Area's FY 2017-18 assessed valuation, owns three research and development office properties in the Rincon North sub-area. The valuation for the owner's Project Area properties decreased by \$20.6 million (7.1%) in FY 2016-17 due to a decrease in personal property valuation at one of its properties.

PayPal Inc accounts for \$260.6 million in assessed valuation in FY 2017-18, approximately 0.9% of the Project Area's assessed valuation, from four properties previously owned by Ebay Inc. Most of the assessed valuation derives from a property located on North First Street. The combined assessed valuation on the four properties increased by 1.1% in FY 2017-18.

Table 8
Twenty Largest Assesseees in the Project Area, FY 2017-18

Property Owner	Properties	Secured and Utility	Unsecured	Total	Percentage of Total Assessed Valuation	Percentage of Incremental Assessed Valuation	Land Use	Sub-Area
1. The Irvine Company *	31	\$2,501,450,098	\$117,566	\$2,501,567,664	8.4%	8.8%	Multi-Family	Rincon Expansior
2. Cisco Systems *	62	1,149,979,973	1,189,638,191	2,339,618,164	7.9%	8.2%	R&D/Office	Rincon North
3. Western Digital (FKA Hitachi) *	3	417,732,758	2,997,415	420,730,173	1.4%	1.5%	R&D/Office	Edenvale
4. Apple Inc	11	328,564,211	86,544,778	415,108,989	1.4%	1.5%	R&D/Office	Rincon Original
5. Adobe Systems *	5	400,748,685	1,765,199	402,513,884	1.4%	1.4%	R&D/Office	Park Center Plaza
6. Samsung Semiconductor Inc	2	388,236,696	198,868	388,435,564	1.3%	1.4%	R&D/Office	Rincon North
7. Equity Tasman Apts LLC	1	298,643,402	-	298,643,402	1.0%	1.0%	Multi-Family	Rincon North
8. Hudson Concourse LLC	3	295,953,879	-	295,953,879	1.0%	1.0%	R&D/Office	Rincon South
9. Brocade Communications Systems *	4	270,629,384	-	270,629,384	0.9%	1.0%	R&D/Office	Rincon North
10. Paypal Inc	4	259,414,703	1,231,386	260,646,089	0.9%	0.9%	R&D/Office	Rincon Original
11. Altera Corporation	6	256,104,254	-	256,104,254	0.9%	0.9%	R&D/Office	Rincon Expansior
12. Los Esteros Critical Energy Facility	3	250,570,408	-	250,570,408	0.8%	0.9%	Power Plant	Rincon Expansior
13. ICS Transit Vil Prop Owner LLC	2	236,949,494	1,955,492	238,904,986	0.8%	0.8%	Multi-Family	Edenvale
14. New Century Towers LLC	1	225,968,621	-	225,968,621	0.8%	0.8%	Multi-Family	Rincon South
15. Fairview Tasman LLC	1	223,492,370	-	223,492,370	0.8%	0.8%	Multi-Family	Rincon Expansior
16. KBSII Corporate Technology Centre	8	219,672,541	-	219,672,541	0.7%	0.8%	R&D/Office	Rincon North
17. Cadence Design Systems	6	216,080,873	-	216,080,873	0.7%	0.8%	R&D/Office	Rincon Expansior
18. CMK LLC	4	211,140,000	-	211,140,000	0.7%	0.7%	R&D/Office	Rincon Expansior
19. Vista Montana Park Apt. Holdings	1	197,843,006	-	197,843,006	0.7%	0.7%	Multi-Family	Rincon North
20. Park Center Plaza Investors LP	5	188,570,518	-	188,570,518	0.6%	0.7%	R&D/Office	Park Center Plaza
Subtotal, Top Ten:		\$6,311,353,789	\$1,282,493,403	\$7,593,847,192	25.6%	26.7%		
Subtotal, Top Twenty:		8,537,745,874	1,284,448,895	9,822,194,769	33.1%	34.5%		
Totals for the Project Area:		25,424,902,410	4,223,887,671	29,648,790,081	100.0%			

* Owner has one or more appeals pending.
Source: County of Santa Clara; Urban Analytics

Table 9
Assessed Valuation Changes for Twenty Largest Assesseees
in the Project Area Over Prior Year

Owner	FY 2016-17	FY 2017-18	Change	Pct Change
The Irvine Company *	\$2,337,946,747	\$2,501,567,664	\$163,620,917	7.0%
Cisco Systems *	2,546,720,685	2,339,618,164	(207,102,521)	-8.1%
Western Digital (FKA Hitachi) *	436,837,551	420,730,173	(16,107,378)	-3.7%
Apple Inc	214,411,690	415,108,989	200,697,299	93.6%
Adobe Systems *	370,029,607	402,513,884	32,484,277	8.8%
Samsung Semiconductor Inc	362,960,325	388,435,564	25,475,239	7.0%
Equity Tasman Apts LLC	168,902,024	298,643,402	129,741,378	76.8%
Hudson Concourse LLC	290,150,863	295,953,879	5,803,016	2.0%
Brocade Communications Systems *	291,242,402	270,629,384	(20,613,018)	-7.1%
Paypal Inc	257,826,006	260,646,089	2,820,083	1.1%
Altera Corporation	166,477,432	256,104,254	89,626,822	53.8%
Los Esteros Critical Energy Facility	265,445,408	250,570,408	(14,875,000)	-5.6%
ICS Transit Vil Prop Owner LLC	163,394,191	238,904,986	75,510,795	46.2%
New Century Towers LLC	79,946,400	225,968,621	146,022,221	182.7%
Fairview Tasman LLC	219,220,128	223,492,370	4,272,242	1.9%
KBSII Corporate Technology Centre	215,365,245	219,672,541	4,307,296	2.0%
Cadence Design Systems	181,894,538	216,080,873	34,186,335	18.8%
CMK LLC	207,000,000	211,140,000	4,140,000	2.0%
Vista Montana Park Apartments Holdings LLC	194,312,691	197,843,006	3,530,315	1.8%
Park Center Plaza Investors LP	184,873,062	188,570,518	3,697,456	2.0%
Total, Top Twenty:	\$9,154,956,995	\$9,822,194,769	\$667,237,774	7.3%

* Owner has one or more appeals pending.
Source: County of Santa Clara; Urban Analytics

Table 10
Assessed Valuation of Ten Largest Assesseees in the Project Area
As a Percentage of Assessed Valuation, FY 2003-04 Through FY 2017-18

Fiscal Year	Valuation, Ten Largest Owners	Total For The Project Area	Percentage of Total Valuation	Percentage Of Incremental Valuation
2003-04	\$ 4,827,904,701	\$ 16,962,641,838	28.5%	30.4%
2004-05	4,514,891,926	15,040,831,200	30.0%	32.4%
2005-06	4,791,759,451	15,015,575,998	31.9%	34.4%
2006-07	5,431,100,720	16,091,802,071	33.8%	36.2%
2007-08	6,532,771,734	18,053,653,752	36.2%	38.5%
2008-09	6,806,517,276	19,510,188,933	34.9%	37.0%
2009-10	6,813,000,235	20,003,431,183	34.1%	36.0%
2010-11	6,363,861,412	18,494,533,529	34.4%	36.6%
2011-12	6,114,025,332	18,153,376,584	33.7%	35.8%
2012-13	5,869,799,986	18,540,165,323	31.7%	33.6%
2013-14	6,491,129,656	20,767,090,250	31.3%	33.0%
2014-15	6,659,101,782	22,258,394,154	29.9%	31.5%
2015-16	7,004,233,451	24,473,485,389	28.6%	30.0%
2016-17	7,378,379,722	27,171,913,346	27.2%	28.3%
2017-18	7,593,847,192	29,648,790,081	25.6%	26.7%

Source: County of Santa Clara, Urban Analytics

Table 11
Historical Assessed Valuations for The Irvine Company by Property and Sub-Area

Property By Sub-Area	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<i>Rincon Expansion</i>						
Crescent Village	207,431,509	516,669,547	728,561,808	729,281,247	737,916,267	752,156,695
North Park	685,320,055	673,399,397	676,409,677	689,949,854	700,604,461	715,035,399
Riverview	-	76,132,800	76,478,442	346,511,125	592,455,029	662,486,063
River Oaks Apartments	45,031,352	21,420,000	74,983,247	151,569,560	154,147,888	215,892,384
<i>Rincon Expansion Total</i>	937,782,916	1,287,621,744	1,556,433,174	1,917,311,786	2,185,123,645	2,345,570,541
<i>Rincon Original</i>						
Silicon Valley Office Center	-	122,399,997	122,955,685	100,954,049	127,324,865	129,988,923
<i>Rincon North</i>						
Commercial Property	-	24,511,977	24,623,260	25,115,231	25,498,237	26,008,200
Total, All Sub-Areas	937,782,916	1,434,533,718	1,704,012,119	2,043,381,066	2,337,946,747	2,501,567,664
Pct. of Total AV	5.1%	6.9%	7.7%	8.3%	8.6%	8.4%

Property By Sub-Area	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<i>Rincon Expansion</i>						
Crescent Village	-	88,000,000	89,760,000	91,555,200	91,338,214	92,025,990
North Park	465,134,467	561,178,025	634,037,697	645,997,605	643,880,545	629,044,579
Riverview	-	-	-	-	-	-
River Oaks Apartments	-	-	-	-	-	-
<i>Rincon Expansion Total</i>	465,134,467	649,178,025	723,797,697	737,552,805	735,218,759	721,070,569
<i>Rincon Original</i>						
Silicon Valley Office Center	-	-	-	-	-	-
<i>Rincon North</i>						
Commercial Property	13,500,000	15,000,000	22,980,033	23,439,632	23,384,079	23,560,151
Total, All Sub-Areas	478,634,467	664,178,025	746,777,730	760,992,437	758,602,838	744,630,720
Pct. Of Total AV	3.0%	3.7%	3.8%	3.8%	4.1%	4.1%

Source: County of Santa Clara; Urban Analytics

Table 12
Historical Assessed Valuations For Cisco Systems, Inc. in the Project Area

Roll	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<i>Secured</i>						
Land	224,485,968	238,020,732	200,254,689	202,865,889	205,927,918	210,046,465
Improvements	809,935,820	893,357,649	840,358,521	933,678,606	949,637,257	938,239,761
Personal Property	1,874,579	1,713,294	1,605,248	3,398,414	2,245,173	1,693,747
Exemptions	0	0	0	0	0	0
<i>Secured Total</i>	1,036,296,367	1,133,091,675	1,042,218,458	1,139,942,909	1,157,810,348	1,149,979,973
<i>Unsecured</i>						
Land	2,179,873	2,223,470	0	0	0	0
Improvements	209,296,476	178,909,328	204,096,750	238,271,459	258,721,655	308,740,884
Personal Property	837,844,391	1,156,335,459	1,119,200,482	976,571,097	1,130,188,682	880,897,307
Exemptions	0	0	0	0	0	0
<i>Unsecured Total</i>	1,049,320,740	1,337,468,257	1,323,297,232	1,214,842,556	1,388,910,337	1,189,638,191
Totals:	2,085,617,107	2,470,559,932	2,365,515,690	2,354,785,465	2,546,720,685	2,339,618,164
Pct. of Total AV	11.2%	11.9%	10.6%	9.6%	9.4%	7.9%

Roll	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<i>Secured</i>						
Land	204,639,188	208,731,953	212,906,577	217,164,690	225,628,661	205,277,123
Improvements	478,045,138	802,011,711	825,902,211	842,420,239	846,084,216	699,846,697
Personal Property	0	0	0	0	0	1,987,917
Exemptions	0	0	0	0	0	0
<i>Secured Total</i>	682,684,326	1,010,743,664	1,038,808,788	1,059,584,929	1,071,712,877	907,111,737
<i>Unsecured</i>						
Land	2,003,568	2,043,638	2,084,510	2,126,199	2,121,159	2,137,131
Improvements	131,104,664	121,016,396	338,211,168	344,325,842	237,712,199	234,302,836
Personal Property	1,612,377,942	1,639,346,315	1,590,359,470	1,548,495,459	1,487,852,345	1,598,081,270
Exemptions	0	0	0	0	0	0
<i>Unsecured Total</i>	1,745,486,174	1,762,406,349	1,930,655,148	1,894,947,500	1,727,685,703	1,834,521,237
Totals:	2,428,170,500	2,773,150,013	2,969,463,936	2,954,532,429	2,799,398,580	2,741,632,974
Pct. of Total AV	15.1%	15.4%	15.2%	14.8%	15.1%	15.1%

Source: County of Santa Clara; Urban Analytics

FACTORS AFFECTING FUTURE ROLL VALUATIONS

A number of factors will affect Project Area assessed valuation in future years, including Proposition 13 adjustments, Proposition 8 assessment reductions, assessment appeals, the availability of land for development, new construction and property sales. These factors are discussed below. Future tax increment revenue, as presented in Table 17, demonstrates the revenue available for debt service coverage based on current conditions and, except for the Proposition 13 inflation adjustments, includes no assumptions regarding these or other factors.

Proposition 13 Adjustments

Under Section 51 of the Revenue and Taxation Code the annual increase in assessed valuation for real property is limited to the lesser of two percent or the October-to-October change in the California Consumer Price Index (CCPI) preceding the January 1 lien date. The figure is reported annually by the State Board of Equalization in early December and are shown in Table 13 below. This factor, referred to at times in this Report as the Proposition 13 inflation factor, is applied to land and improvements where the property has not been sold or, in the case of improvements, newly constructed. Properties whose valuations have been reduced under Proposition 8 continue to receive an inflationary adjustment under Proposition 13 on the reduced valuation.

Table 13
Proposition 13 Inflation Adjustments

FY	Proposition 13 Inflation Factor
2017-18	2.000%
2016-17	1.525%
2015-16	1.998%
2014-15	0.454%
2013-14	2.000%
2012-13	2.000%
2011-12	0.753%
2010-11	-0.237%

Proposition 8 Assessment Reductions

[To be updated when Assessor publishes the FY 2017-18 annual report] For the 2016-17 roll year, the assessor applied Proposition 8 reductions to 6,509 parcels in the City in response to economic conditions (data for the Project Area was not separately reported). These temporary reductions are reviewed annually, and as market conditions improve they may be partially or fully restored to their factored base year value (properties that are sold are reassessed at the sales price and are no longer assessed under Proposition 8). The number of reductions is lower than the 14,679 parcels reported citywide for FY 2015-16.

The 6,509 Proposition 8 parcels in the City received decreases totaling \$1.3 billion in assessed valuation in FY 2016-17, relative to what their assessed valuation would have been in the absence of a Proposition 8 reduction; citywide reductions for FY 2015-16 totaled \$2.5 billion. As noted previously, the Assessor does not indicate which properties are subject to Proposition 8 reductions on the tax roll itself.

Assessment Appeals

Appeals of assessments by property owners in the Project Area can result in future reductions in assessed valuations that affect the Agency. As noted above under “*The Allocation of Tax Increment Revenues to the Agency*”, it has been the practice of the County to apply roll corrections and assessment appeal refunds against revenue from supplemental assessments. With the adoption of a uniform method of reporting RPTTF revenue, the County now deducts roll corrections and assessment appeal refunds against the secured and unsecured tax increment while reporting supplemental and unitary revenue on a separate line. Prior-year roll corrections and assessment appeal refunds were \$3.8 million for FY 2016-17 while revenue from supplemental assessments was \$19.9 million.

The most common type of appeal filed is known as a Proposition 8 appeal, in which the property owner seeks a reduction in a particular year’s secured assessment based on the current economic value of the property. The assessor may also unilaterally adjust valuations based on Proposition 8 criteria, as discussed above. Assessment reductions under Proposition 8 are generally temporary in nature and property values may be restored to their previous levels, as adjusted for inflation, as economic conditions improve. Properties that are sold while under Proposition 8 are reassessed at the sales price and the Proposition 8 adjustment is removed.

Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of a property and consequently affect the Agency’s annual revenue. The annual filing period for all appeals extends from July 2 to September 15.

Table 14 presents the totals for resolved and pending assessment appeals between FY 2010-11 and FY 2016-17 in the Project Area. The assessment appeals information presented in Table 14 is based on information made available to the Agency by the County Assessor’s Office on May 17, 2017.

A measure of the impact of pending appeals can be found by applying the percentage of original enrolled valuation retained following the resolution of appeals (the retention rate) to the amount of original enrolled valuation for pending appeals. Overall, there are 527 appeals pending in the Project Area during the period shown in Table 14 with an enrolled valuation of approximately \$21.1 billion. The overall retention rate for appeals resolved during the fiscal years 2010-11 to 2016-17 is 96.2%, with approximately \$39.2 billion in valuation retained out of \$40.7 billion in roll valuation. Applying this rate to the enrolled valuation for pending appeals results in an estimated \$803.9 million in reduced prior-year valuation, or approximately \$8.0 million in RPTTF revenue, including parcels that were appealed in multiple years. The maximum potential reduction in tax increment revenue from pending appeals, which would occur if the full amount of disputed valuation was granted, is approximately \$89.0 million in revenue to the RPTTF, again including parcels that were appealed in multiple years.

The aggregate \$1.6 billion in prior-year valuation reduced through the appeals process over the FY 2010-11 through FY 2016-17 period is approximately \$16 million in property tax increment revenue (the assessor, when applying the assessment appeal refunds to the Agency's revenue, does so using only the 1% tax rate).

The last column in Table 14 shows the percentage of the original roll valuation retained after resolution of the appeal. The retention percentage in the Project Area has ranged from 88.5% to 100% during the period shown. Appeals filed by the Project Area's largest property owners are presented in Table 15 over the past four years. In FY 2014-15, for undisclosed reasons two parcels owned by Hudson Concourse were resolved on appeal at a higher value than was on the rolls.

Table 14
Assessment Appeal Results in the Merged Project Area,
FY 2010-11 through 2016-17

Fiscal Year	Appeal Status	County Roll Value	Applicant Opinion of Value	Final Roll Value	Pct of Roll Value Retained (1)
2016-17	34 Resolved	\$ 1,099,206,599	\$ 595,358,029	\$ 1,099,151,599	100.0%
2016-17	273 Pending	6,732,679,529	3,974,131,065	TBD	TBD
2015-16	185 Resolved	3,458,056,401	2,016,710,461	3,450,819,037	99.8%
2015-16	90 Pending	3,965,453,682	2,149,605,527	TBD	TBD
2014-15	397 Resolved	5,285,955,116	2,701,568,071	5,285,094,752	100.0%
2014-15	62 Pending	3,425,515,362	2,343,274,836	TBD	TBD
2013-14	487 Resolved	6,739,224,431	3,450,658,572	6,595,507,747	97.9%
2013-14	39 Pending	2,163,712,125	1,272,667,139	TBD	TBD
2012-13	549 Resolved	7,268,398,808	4,123,445,518	7,163,238,881	98.6%
2012-13	29 Pending	2,745,832,922	1,538,630,179	TBD	TBD
2011-12	738 Resolved	8,696,216,603	5,321,737,299	8,338,297,612	95.9%
2011-12	16 Pending	844,964,217	446,151,360	TBD	TBD
2010-11	972 Resolved	8,155,812,491	4,488,627,926	7,219,706,601	88.5%
2010-11	18 Pending	1,217,681,206	475,237,696	TBD	TBD
	3,362 Resolved	\$ 40,702,870,449	\$ 22,698,105,876	\$ 39,151,816,229	96.2%
	527 Pending	\$ 21,095,839,043	\$ 12,199,697,802	TBD	TBD

(1) Percent of Roll Value Retained is the proportion of value retained after resolution of an appeal. The rate is calculated by dividing the Final Roll Value into the 'County Roll Value'. For withdrawn and denied appeals, the 'Final Roll Value' is the original County valuation.

Data provided by the County Assessor's office on May 17, 2017.
Source: County of Santa Clara, Urban Analytics

Table 15
Assessment Appeals By Ten Largest Assesseees in the Project Area, Past Four Years

Roll Year	Owner Name	Resolved/ Pending	County Roll Value	Applicant Opinion of Value	Valuation Change After Appeal
2016-17	ADOBE SYSTEMS INC	2 Pending	238,958,405	73,811,890	TBD
2016-17	BROCADE COMMUNICATIONS SYS	1 Pending	165,190,157	66,730,566	TBD
2016-17	CISCO TECHNOLOGY INC	4 Pending	309,901,822	184,067,678	TBD
2016-17	EQUITY TASMAN APTS LLC	1 Pending	168,902,024	137,100,000	TBD
2016-17	THE IRVINE COMPANY LLC	4 Pending	188,682,969	775,000	TBD
2016-17	THE IRVINE COMPANY LLC	2 Resolved	268,963,358	465,000	-
2015-16	APPLE INC	1 Pending	68,246,670	27,623,336	TBD
2015-16	BROCADE COMMUNICATIONS SYS	1 Pending	177,805,967	73,675,821	TBD
2015-16	CISCO TECHNOLOGY INC	3 Pending	275,701,669	149,146,025	TBD
2015-16	CISCO TECHNOLOGY INC	9 Resolved	417,936,219	324,900,000	-
2015-16	SAMSUNG SEMICONDUCTOR INC	1 Resolved	156,873,761	97,869,497	-
2014-15	APPLE INC	1 Resolved	62,734,751	25,500,000	-
2014-15	BROCADE COMMUNICATIONS SYS	1 Pending	186,482,642	75,316,924	TBD
2014-15	CISCO TECHNOLOGY INC	2 Pending	222,498,419	169,124,804	TBD
2014-15	CISCO TECHNOLOGY INC	10 Resolved	510,763,979	407,308,338	(1,200,000)
2014-15	WESTERN DIGITAL	1 Pending	450,388,568	242,000,000	TBD
2014-15	HUDSON CONCOURSE LLC	3 Resolved	202,929,442	26,000,000	8,620,558
2013-14	ADOBE SYSTEMS INC	2 Resolved	227,765,923	205,321,450	-
2013-14	APPLE INC	1 Resolved	81,920,953	31,700,000	-
2013-14	BROCADE COMMUNICATIONS SYS	1 Pending	197,483,666	113,103,331	TBD
2013-14	CISCO TECHNOLOGY INC	7 Resolved	354,010,416	275,300,000	(10,292,897)
2013-14	WESTERN DIGITAL	1 Pending	396,666,354	24,000,001	TBD
2013-14	WESTERN DIGITAL	2 Resolved	398,812,292	20,296,988	-
2013-14	HUDSON CONCOURSE LLC	3 Resolved	196,001,969	-	-

Data provided by the County Assessor's office on May 17, 2017.
Source: County of Santa Clara, Urban Analytics

TAX INCREMENT REVENUE ESTIMATE

The tax increment revenue reported by the County Auditor-Controller for FY 2017-18 is presented in Table 16. The net tax increment revenue from the Project Area is estimated to be \$284,838,743, including secured, unsecured and utility valuations and net of the

property tax administration fee (including both the property tax administration fee and the fee for administration of redevelopment dissolution). The assessed valuation for the Diridon sub-area exceeded the sub-area's base year assessed valuation in FY 2017-18 for the first time since the sub-area was formed; as a result, the table includes assessed valuation and base year valuation for the Diridon sub-area.

Table 16
Project Area Tax Increment Calculation, FY 2017-18

	January 3, 2018 RPTTF Deposit (Estimated)	June 1, 2018 RPTTF Deposit (Estimated)	FY 2017-18 Total RPTTF Deposit (Estimated)
Secured AV	\$12,581,449,251	\$12,581,449,251	\$25,162,898,501
Unsecured AV	2,111,943,836	2,111,943,836	4,223,887,671
SBE-Assessed Utilities	131,001,955	131,001,955	262,003,909
Total AV	\$14,824,395,041	\$14,824,395,041	\$29,648,790,081
Less: Base Year AV	(588,407,881)	(588,407,881)	(1,176,815,761)
Incremental AV	\$14,235,987,160	\$14,235,987,160	\$28,471,974,320
Gross Tax Increment	\$142,359,872	\$142,359,872	284,719,743
Plus: Unitary Roll Revenue	1,381,000	1,381,000	2,762,000
Less: Prop. Tax Admin. Fee	(1,321,500)	(1,321,500)	(2,643,000)
Tax Revenue Available For Debt Service:	\$142,419,372	\$142,419,372	\$284,838,743
Tax Increment To RPTTF:	\$142,419,372	\$142,419,372	\$284,838,743
Less: Appeal Refunds, Roll Corrections	(1,128,332)	(1,128,332)	(2,256,663)
Plus: Supplemental Revenues	5,546,500	5,546,500	11,093,000
Plus: Interest	122,000	122,000	244,000
Net RPTTF Deposit	\$146,959,540	\$146,959,540	\$293,919,080
Less: AB1290 Passthroughs	(14,272,779)	(14,272,779)	(28,545,558)
Less: Current County Passthrough	(17,487,123)	(17,487,123)	(34,974,246)
Less: Prior-Year County Passthroughs *	(10,741,352)	(5,365,773)	(16,107,125)
Net RPTTF Revenue After Passthroughs	\$104,458,286	\$109,833,865	\$214,292,151

Note: January 2018 amounts as estimated by the County Auditor-Controller's Office as of October 2, 2017. June 2018 amounts are estimated based on the reported January 2018 figures.

* Per the Settlement Agreement with the County dated as of 8/18/2017, there was \$16,107,125 in unpaid prior-year County passthroughs as of August 1, 2017. The January 2018 RPTTF (October 2, 2017 estimate) reports a \$28.2 million passthrough payment to the County, \$10.7 million of which is payment towards the prior-year County passthrough amount; the remaining \$5.4 million is assumed to be paid in the June 2018 RPTTF.

Source: County Auditor-Controller and Urban Analytics LLC

Net revenue deposited to the RPTTF is estimated to total \$293,919,080 for FY 2017-18. This amount includes the net tax increment revenue as well as supplemental revenues and interest earnings, less prior-year roll corrections.

Passthrough payments, including the statutory passthrough payments and both current and prior-year passthrough payments to the County, are deducted from this total leaving revenue available to pay the Agency's enforceable obligations. Per the County Auditor-Controller's Office estimate of the January 2018 RPTTF deposit, revenue available in that RPTTF period is not expected to be sufficient to pay the full \$16.1 million in prior-year passthrough payments due to the County; the remainder, estimated to be \$5.4 million, is expected to be paid through the June 2018 RPTTF.

As noted in "*The Allocation of Tax Increment Revenue to the Agency*", the County Auditor-Controller may deduct prior-year roll corrections and assessment appeal refunds that exceed prior-year supplemental revenue from the Agency's FY 2017-18 tax increment revenue. This prior-year adjustment, as reported by the County Auditor-Controller, was \$3,751,785 for FY 2016-17 and is \$1,128,332 for the January 2018 RPTTF; as the FY 2016-17 adjustments were identical in the two RPTTF periods, the June 2018 RPTTF prior-year adjustment is assumed to be the same as that shown on the January 2018 RPTTF. The supplemental revenue for the January 2018 RPTTF is estimated by the County Auditor-Controller to be \$5,546,500; while the June 2018 RPTTF supplemental revenue amount is not known, the January amount more than offsets the amount of prior-year adjustments for the full year. Tax increment revenue derived from bond levies, including the two levies noted in "*Tax Rates*" as previously withheld by the County, is distributed to the taxing entities and is not included in Table 16.

TAX INCREMENT REVENUE PROJECTIONS

Projections of Project Area tax increment revenues are shown in Table 17 assuming a two percent rate of growth in assessed valuation. The projections exclude plan limits as permitted to pay enforceable obligations under the Redevelopment Dissolution Law. Table 17 presents net tax increment based on the one percent tax levy and excludes debt service levies. Gross tax increment revenue is shown as the total amount of tax increment revenue generated in the Project Area from secured, unsecured and State-assessed utility properties, while net tax increment revenue includes unitary revenue and deducts the property tax administration fee and redevelopment dissolution administration fee charged by the County. As noted above ("*The Impact of the Redevelopment Dissolution Law*"), the County deducts the County property tax administrative costs prior to the payment of tax increment revenue to the RPTTF per the allocation procedures contained in the Redevelopment Dissolution Law, a procedure that is at variance with the Agency's agreement with the County. Neither prior-year roll corrections nor supplemental revenues are included in the projections; prior-year adjustments for roll corrections totaled \$3,751,785 in FY 2016-17 while supplemental revenues were \$19,892,742 in that year.

The calculation of tax revenue available for debt service on the Bonds includes estimates of net tax increment revenue; no assumption is made regarding supplemental revenue or interest earnings. Passthrough payment obligations are subordinate to the Bonds and are not deducted from the tax revenue amounts (see "*Tax Sharing Obligations – Statutory Passthrough Payments*", above).

The tax increment revenue shown does not include any other increases or decreases in assessed valuation from new development, property sales, annual inflationary adjustments under Proposition 13 other than the statutory maximum of two percent, Proposition 8 assessment adjustments, appeals or other causes. As discussed in previous sections of this Report, any of these factors may affect future tax increment revenue receipts.

LIMITATIONS OF REPORT

The calculation of assessed valuations and tax increment revenues shown in this Report are based on information believed to be complete, current and reliable at the time of this Report. Projections of tax increment revenues are based on reasonable assumptions and may not reflect actual future revenue received by the Agency. Information regarding the practices and methods used by the County in assessing and allocating property tax revenue has been obtained from County staff and analysis of County records, while information concerning the Project Area, redevelopment plans, amendments and passthrough agreements has been obtained through discussions with Agency staff and through review of the plan documents made available to the Consultant.

While the Consultant has made a reasonable effort to verify the accuracy of the figures and information presented in this Report and presumes that the information relied upon is correct, the Consultant makes no warranty as to its accuracy.

Table 17
Tax Increment Revenue Projection for the Project Area,
Two Percent Annual Growth in Assessed Valuation (X 1,000)

Fiscal Year Ending June 30	Secured and Utility Assessed Valuation	Unsecured Assessed Valuation	Total Assessed Valuation	Base Year Assessed Valuation	Incremental Assessed Valuation	Tax Increment (1% Levy)	Unitary Roll Revenue	Property Tax Admin. Fee	Tax Revenue
2018	25,424,902	4,223,888	29,648,790	(1,176,816)	28,471,974	284,720	2,762	(2,643)	284,839
2019	25,915,142	4,223,888	30,139,029	(1,176,816)	28,962,214	289,622	2,762	(2,698)	289,687
2020	26,415,186	4,223,888	30,639,074	(1,176,816)	29,462,258	294,623	2,762	(2,753)	294,631
2021	26,925,231	4,223,888	31,149,119	(1,176,816)	29,972,303	299,723	2,762	(2,810)	299,675
2022	27,445,477	4,223,888	31,669,364	(1,176,816)	30,492,549	304,925	2,762	(2,868)	304,820
2023	27,976,128	4,223,888	32,200,015	(1,176,816)	31,023,200	310,232	2,762	(2,927)	310,067
2024	28,517,392	4,223,888	32,741,279	(1,176,816)	31,564,463	315,645	2,762	(2,987)	315,420
2025	29,069,481	4,223,888	33,293,368	(1,176,816)	32,116,553	321,166	2,762	(3,048)	320,879
2026	29,632,612	4,223,888	33,856,499	(1,176,816)	32,679,683	326,797	2,762	(3,111)	326,448
2027	30,207,005	4,223,888	34,430,893	(1,176,816)	33,254,077	332,541	2,762	(3,175)	332,128
2028	30,792,886	4,223,888	35,016,774	(1,176,816)	33,839,958	338,400	2,762	(3,240)	337,922
2029	31,390,486	4,223,888	35,614,373	(1,176,816)	34,437,557	344,376	2,762	(3,306)	343,831
2030	32,000,037	4,223,888	36,223,924	(1,176,816)	35,047,108	350,471	2,762	(3,374)	349,859
2031	32,621,779	4,223,888	36,845,666	(1,176,816)	35,668,850	356,689	2,762	(3,443)	356,007
2032	33,255,955	4,223,888	37,479,843	(1,176,816)	36,303,027	363,030	2,762	(3,514)	362,278
2033	33,902,816	4,223,888	38,126,704	(1,176,816)	36,949,888	369,499	2,762	(3,586)	368,675
2034	34,562,613	4,223,888	38,786,501	(1,176,816)	37,609,685	376,097	2,762	(3,659)	375,200
2035	35,235,607	4,223,888	39,459,495	(1,176,816)	38,282,679	382,827	2,762	(3,734)	381,855
2036	35,922,060	4,223,888	40,145,948	(1,176,816)	38,969,132	389,691	2,762	(3,810)	388,643
Total	577,212,794	80,253,866	657,466,659	(22,359,499)	635,107,160	6,351,072	52,478	(60,686)	6,342,864

Note: Secured real property exemptions Include an inflation adjustment using the Proposition 13 inflation factor. Net prior-year refunds and roll corrections are assumed to be offset by supplemental revenues. Tax increment revenue is calculated using the one percent levy only and does not include the PERS and Water District levies. The table does not incorporate plan limits per the Redevelopment Dissolution Law (see *"The Impact of the Redevelopment Dissolution Law"*). The assessed valuation in years after FY 2017-18 is shown with increases from the annual inflationary adjustments under Proposition 13 at the statutory maximum of two percent and no increase or decrease in assessed valuation from new development, property sales, Proposition 8 assessment adjustments or other causes. The annual growth rate is applied to assessed valuation; the resulting annual rate of growth in tax increment is slightly higher as it is based on only a portion of assessed valuation (the amount over the base year valuation). The County Administrative Fee includes the property tax administration fee which is calculated as a percentage of tax increment per Revenue and Tax Code 95.3 and the redevelopment dissolution administration fee which is a cost-recovery charge applied by the County Auditor-Controller per Health and Safety Code Section 34182 and is projected here as a percentage of property tax revenue based on the actual charge for FY 2016-17.

APPENDIX B

THE CITY OF SAN JOSE: DEMOGRAPHIC AND ECONOMIC INFORMATION

INTRODUCTION TO THE CITY OF SAN JOSE

The City of San José (the “City”) is the tenth largest city in the United States and the third largest city in California (the “State”), with a population of 1,046,079 on January 1, 2017 according to the California Department of Finance. The territory of the City encompasses approximately 180 square miles. Located at the southern end of the San Francisco Bay, the City is the county seat of the County of Santa Clara (the “County”).

Having originated as a Spanish pueblo established in 1777, the City is the oldest city in the State. From a former rich agricultural setting, San José is the largest city in the region commonly referred to as Silicon Valley, so named for the principal material used in producing semiconductors.

According to a recent U.S. News and World Report article, San José ranks third among “The Best Places to Live in the US in 2017”¹. The City serves as the cultural hub of the southern portion of the Bay Area or “South Bay.” It has a variety of cultural offerings, including museums and arts organizations, such as the Tech Museum of Innovation, the San José Museum of Art, the Institute of Contemporary Art, and the Children’s Discovery Museum. Theaters and performance venues include the San José Center for the Performing Arts, California Theater, San José Hammer Theater, and the Montgomery Theater.

Sports, concerts and other exhibitions are available at the SAP Center, the home of the San José Sharks hockey team. Solar4 America Ice, (formerly known as the Ice Centre of San José) is a 4-rink facility that is the official practice facility of the San José Sharks and also is a venue for ice skating, adult and youth hockey. The City is also the home of the San José Earthquakes, a professional soccer team. The San Francisco Forty-Niners play at Levi Stadium in the nearby City of Santa Clara.

During the 1980s and 1990s, the City experienced an expansion in the technology, manufacturing, service, retail, and tourism industries. With the dot-com stock market collapse in the early 2000s, Silicon Valley was one of the first and most deeply impacted regions in the nation. The robust local housing market that followed the dot-com stock market collapse provided for significant construction activity and property sales until the housing bubble and sub-prime mortgage crises led the nation into its most recent recession starting at the end of 2007. Until the last quarter of 2008, Silicon Valley was somewhat less impacted than other areas in the State and the nation. The deep global recession ultimately impacted this region as well beginning in 2009. Silicon Valley’s economy has since rebounded, with gross domestic product for the San José-Sunnyvale-Santa Clara metropolitan statistical area (the “MSA”) growing 6.9% in 2016, the most recent year available, according to the Bureau of Economic Analysis. That’s in addition to gross domestic product (current dollars) growth of 12.1% in 2015, 8.7% in 2014, 7.0% in 2013 and 4.9% in 2012, also as reported by the Bureau of Economic Analysis. For additional information regarding the recent economic environment, see “DEMOGRAPHIC AND ECONOMIC INFORMATION – Economic Overview” below.

MUNICIPAL GOVERNMENT

The City was incorporated on March 27, 1850 and operates as a charter city, having had its first charter granted by the State of California (the State) in 1897. In 1916, another charter was adopted enabling the City to institute a council-manager form of government, making it one of the first cities in the nation to take this step. Under the California Constitution, charter cities are generally independent of the state legislature in matters relating to municipal affairs. The present charter became effective on May 4, 1965.

¹ Source: <http://realestate.usnews.com/real-estate/slideshows/the-best-places-to-live-in-the-us-in-2017>

The City is governed by a City Council consisting of a Mayor and ten other council members. The Mayor is elected at large for a four-year term. Council members are elected by district for staggered, four-year terms. The Mayor and the council members are limited to two consecutive four-year terms.

The City Council appoints the City Manager who is responsible for the operation of all municipal functions except the offices of City Attorney, City Clerk, City Auditor, and Independent Police Auditor and the Office of Retirement Services. The City Attorney, City Clerk, City Auditor and Independent Police Auditor are appointed by and carry out the policies set forth by the City Council. The City Charter provides that the boards of administration for each of the City's retirement plans, the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan, hire and prescribe the duties of the chief executive officer and chief investment officer within the Office of Retirement Services who serve at the pleasure of the retirement boards.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Introduction

The information provided in this section entitled "DEMOGRAPHIC AND ECONOMIC INFORMATION" has been collected from sources that the Successor Agency believes to be reliable and is the most current information available from those sources.

Economic Overview

The City's economy is diversified with various sectors including education/health services, business services, trade/transportation, and manufacturing as well as information, see Table 3 for a detailed breakdown of average annual employment by industry.

The City has a diverse and educated workforce (40% of which hold a bachelor's degree or higher, versus 32% in California and 31% in the US, according to the 2015 American Community Survey, the latest survey data available), and a geographical location close to business and leisure centers as well as educational and research institutions.

As the center of Silicon Valley, the MSA is a hub for innovation, leading all other MSAs in the U.S. by patents issued per capita, according to data collected and reported by the U.S. Patent and Trademark Office from 2000 to 2015 (the most recent year provided). The City's technology sector includes large publicly traded firms such as Cisco, PayPal, eBay, Adobe (all of which are headquartered in the City) and Samsung (not publicly traded on U.S. stock exchanges, but with its American headquarters in San José); startups such as Okta and Nutanix; and manufacturers such as Flex, Jabil, Maxim Integrated and Sanmina. Many well-known technology companies, such as Toshiba, Broadcom and Verizon, also have research and development focused locations in the City, tapping into the area's educated population. While technology is the City's best-known industry, it is not the only one; the City's downtown includes employers in the financial services, accounting, and legal sectors. Health care is also a significant private-sector employer, with five hospitals serving the City. More information on sector employment is contained in Table 3.

The local economy has experienced a multi-year expansion. While the region continues to experience growth, the rates of growth for certain economic indicators are starting to moderate from growth levels experienced in recent years. According to the Bureau of Economic Analysis (September 20, 2017 News Release), Gross Domestic Product ("GDP") for the MSA of \$252.5 billion (current dollars), a 6.9% increase over 2015 and ranked 14th of the 382 national metropolitan areas in 2016.

As shown in Table 2, the civilian labor force in the City increased from 433,000 in 2012 to 524,000 in 2016, equating to growth of 21% over that period. From 2015 to 2016, the labor force increased by 2% (513,000 to 524,000). The average unemployment rate in the City dropped from 9.4% in 2012 to 4.2% in 2016, with the smallest decline experienced between 2015 (unemployment rate of 4.6%) to 2016 (unemployment rate of 4.2%). The September 2017 unemployment rate for the City is 3.7% as reported by the State of California Employment Development Department.

The housing market continued to experience growth in home prices; however, the number of sales declined in 2016-2017 compared to prior year levels. According to the Santa Clara County Association of Realtors, the median price for single family homes increased in value, with a median home price in June 2017 of \$996,000, up 8.3% from the June 2016 price of \$920,000. The May and June 2017 median home prices of \$1,000,000 and \$996,000, respectively, represent the highest home prices recorded for the City. However, the number of property transfers in Fiscal Year 2016-17 was 7,883, which represents a 4.1% decrease from the number of sales that occurred during the prior year. The amount of inventory available in the real estate market has been steadily decreasing, with the number of new listings for single-family and multi-family dwellings totaling 878 in June 2017, a 9.2% drop from 967 in June 2016. The amount of time to sell these homes has remained fairly consistent with the average days-on-market for single-family and multi-family dwellings in Fiscal Year 2016-17 totaling 26 days, compared to 24 days during the previous year. In Fiscal Year 2016-17, the City had changes in ownership equaling \$5.4 billion, the majority of which came from single family homes.

As of February 2017, the most recent data available, the City estimates that there are approximately 8,600 residential units with approved entitlements since 2011 in the City that have not yet started construction. Following multiple years of rent increases, rent growth in Silicon Valley's apartment market has leveled off and rents have begun to stabilize and in some cases, fall slightly, according to information from real estate data tracker CoStar as of June 26, 2017. Residential inventory and vacancy rates remain low for the Bay Area overall, and CoStar reports that the MSA still maintains some of the highest apartment rents in the nation, coming in third behind San Francisco and New York, according to a June 2017 report.

For information on development activity in the Project Area since 2012, see "THE PROJECT AREA – Recent and Ongoing Development in the Project Area" in the forepart of this Official Statement.

Population

City residents account for over half of the population of the County, which is the most populous of the San Francisco Bay Area counties. While the period from 1960 to 1980 was characterized by high population growth in both the City and County, the last three decades reflect a trend of slower but steady growth. Table 1 shows the population of the City, the County and the State according to the U.S. Census Bureau for the years 1960, 1970, 1980, 1990, 2000 and 2010 and according to the California Department of Finance for the years 2015 to 2017.

Table 1
City, County, and State Population Statistics

	City of San José	% Change	County of Santa Clara	% Change	State of California	% Change
1960	204,196		642,315		15,717,204	
1970	459,913	125.23	1,064,714	65.76	19,953,134	26.95
1980	629,442	36.86	1,295,071	21.64	23,667,902	18.62
1990	782,248	24.28	1,497,577	15.64	29,760,021	25.74
2000	895,131	14.43	1,682,585	12.35	33,873,086	13.82
2010	945,942	5.68	1,781,642	5.89	37,253,956	9.98
2015	1,027,209	8.59	1,903,209	6.82	38,915,880	4.46
2016	1,036,325	0.89	1,922,619	1.02	39,189,035	0.70
2017	1,046,079	0.94	1,938,180	0.81	39,523,613	0.85

Sources: U.S. Census Bureau (1960-2010), California Department of Finance (2015-2017).

Employment

Table 2 sets forth employment figures for the City and the County and unemployment rates for the City, the County, the State, and the United States for the five most recent years. The City's unemployment rate dropped from 9.4% in 2012 to 4.2% in 2016.

Table 2
Estimated Average Annual Employment and Unemployment of Resident Labor Force⁽¹⁾

Civilian Labor Force (in thousands)	2012	2013	2014	2015	2016
City of San José					
Employed	433	482	499	513	524
Unemployed	45	37	30	25	23
Total ⁽²⁾	478	519	529	538	547
County of Santa Clara					
Employed	883	909	941	968	988
Unemployed	75	63	51	42	38
Total ⁽²⁾	958	972	992	1010	1026
Unemployment Rates					
City	9.4%	7.2%	5.8%	4.6%	4.2%
County	8.4	6.5	5.2	4.2	3.8
State	10.4	8.9	7.5	6.2	5.4
United States	8.1	7.4	6.2	5.3	4.9

(1) Data is not seasonally adjusted.

(2) Totals may not add due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division; United States Department of Labor, Bureau of Labor Statistics.

The technology industry component of the City's economy includes research, development, manufacturing, marketing, and management. Development of high technology has been supported by the area's proximity to San José State University, Stanford University, Santa Clara University, University of California, Berkley and Santa Cruz, and other institutions of higher education, and such research and development facilities as SRI International (formerly the Stanford Research Institute), the Stanford Linear Accelerator Center (SLAC) and NASA Ames Research Center.

While the region is known as Silicon Valley, the silicon-based semiconductor industry has now largely transitioned to "fabless" business models (where manufacturing is handled by third parties operating elsewhere) as well as growth in other industries. Those industries include information systems, solar, bio-tech manufacturing, computers, peripherals, instruments, software and a wide array of communication electronics.

Table 3 displays the composition of employment in the MSA by general category for the most recent three years available.

Table 3
San José-Sunnyvale-Santa Clara Metropolitan Statistical Area
Estimated Average Annual Employment by Industry

Industry	2014	% of Total	2015	% of Total	2016	% of Total
Farm	5,300	0.53	5,500	0.53	6,000	0.56
Natural Resources & Mining	300	0.03	200	0.02	300	0.03
Construction	39,700	3.94	43,900	4.20	48,900	4.54
Manufacturing.....	159,500	15.83	162,400	15.54	163,600	15.18
Wholesale Trade	37,200	3.69	37,200	3.56	37,800	3.51
Retail Trade	86,400	8.58	87,800	8.40	87,700	8.14
Transportation, Warehousing, Utilities ...	14,400	1.43	14,600	1.40	15,300	1.42
Information	65,700	6.52	70,500	6.75	74,600	6.92
Financial Activities	34,100	3.39	34,600	3.31	35,600	3.30
Professional & Business Services	203,000	20.15	216,300	20.70	225,200	20.90
Educational & Health Services	150,000	14.89	156,300	14.96	62,100	15.04
Leisure & Hospitality	91,900	9.12	95,800	9.17	98,900	9.18
Other Services.....	26,400	2.62	26,900	2.57	27,400	2.54
Government.....	93,400	9.27	92,900	8.89	94,100	8.73
Total⁽¹⁾	1,007,300		1,044,900		1,077,500	

(1) Totals may not add due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division.

Household Income

Household income, as measured by the U.S. Census Bureau, includes the income of the householder and all other people 15 years and older in the household, whether or not they are related to the householder. The median is based on the income distribution of all households, including those with no income. Table 4 shows the top ten median household incomes by metropolitan statistical area in the United States in 2016, the most recent American Community Survey available. The MSA had the highest median household income in 2016, which was well above the national median.

Table 4
United States 2016 Top Ten Median Household Income

1.	San José-Sunnyvale-Santa Clara, CA Metro Area.....	\$110,040
2.	San Francisco-Oakland-Fremont, CA Metro Area.....	96,677
3.	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	95,843
4.	Boston-Cambridge-Newton, MA-NH Metro Area	82,380
5.	Seattle, WA Metro Area	78,612
6.	Baltimore, MD Metro Area.....	76,788
7.	Minneapolis-St. Paul, MN-WI Metro Area	73,231
8.	Hartford, CT Metro Area.....	72,559
9.	Denver, CO Metro Area	71,926
10.	New York, NY-NJ-PA Metro Area	71,897
	U.S. Median.....	56,516

Source: U.S. Census Bureau, Income and Poverty in the United States 2016 American Community Survey 2016.

APPENDIX C

INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL STATEMENTS FOR THE SUCCESSOR AGENCY AS OF JUNE 30, 2017

APPENDIX D
SUMMARY OF THE INDENTURE

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

\$ _____ *
2017 SERIES A SENIOR
TAX ALLOCATION REFUNDING BONDS

\$ _____ *
2017 SERIES A-T SENIOR TAXABLE
TAX ALLOCATION REFUNDING BONDS

\$ _____ *
2017 SERIES B SUBORDINATE
TAX ALLOCATION REFUNDING BONDS

\$ _____ *
2017 SERIES B-T SUBORDINATE TAXABLE
TAX ALLOCATION REFUNDING BONDS

This CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by the Successor Agency to the Redevelopment Agency of the City of San José (the “**Successor Agency**”) in connection with the execution and delivery of the bonds captioned above (collectively, the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 2017 (the “**Indenture**”), between the Successor Agency and Wilmington Trust, National Association, as trustee (the “**Trustee**”).

The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters 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 Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the Successor Agency’s fiscal year (currently March 31 based on the Successor Agency’s fiscal year end of June 30).

“*Dissemination Agent*” means, initially, the Successor Agency, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency 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 Successor Agency in connection with the issuance of the Bonds.

“Participating Underwriter” means Stifel, Nicolaus & Company, Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., Backstrom McCarley Berry & Co., LLC, Hilltop Securities Inc., Piper Jaffray & Co. and Siebert Cisneros Shank & Co., L.L.C., as the original underwriters of the Bonds required to comply with the Rule in connection with offering of the 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 Successor Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2018, with the report for the 2016-17 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report for 2016-17 will consist of the Official Statement (as posted to Emma). Not later than 15 Business Days prior to the Annual Report Date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Successor Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Successor Agency to determine if the Successor Agency is in compliance with the previous sentence. 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 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency 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 Successor Agency’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 Successor Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Successor Agency under the Indenture.

(b) If the Successor Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Successor Agency 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 Successor Agency, file a report with the Successor Agency 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 Annual Report shall contain or incorporate by reference the following:

(a) The Successor Agency's 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 Successor Agency'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.

(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 Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) [[Principal amount of Bonds outstanding by Series as of the previous September 2.
- (ii) Actual Redevelopment Property Tax Trust Fund (RPTTF) disbursements received by the Successor Agency on January 2 and June 1 of each calendar year, commencing with the Fiscal Year 2017-18 disbursements for the report due by March 31, 2019.
- (iii) Current fiscal year assessed values for each of the top 10 taxpayers in the Project Area, and the percentage of total Project Area assessed value for each, substantially in the form of Table 5 (but only for the top 10 taxpayers).
- (iv) The most currently available information for assessed value appeals [[by any of the top 10 taxpayers]] in the Project Area, as such information is available electronically from the County, substantially in the form of Table 7 [[(but only for the top 10 taxpayers)]]].
- (v) A table presenting the calculation of Tax Revenues, showing current fiscal year assessed value and base year value, gross tax increment revenues, estimated unitary roll revenues and County administrative charges, substantially in the form of Table 8 (but no projections are required).
- (vi) A table showing the debt service coverage on the then outstanding 2017 Senior Bonds and 2017 Subordinate Bonds, based on current fiscal year Tax Revenues, substantially in the form of Table 9.]]

(c) 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 Successor Agency 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 Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the 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 Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency 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.

(b) The Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB, 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 subsections (a)(8) and (9) 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 Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) 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 Bonds. The Successor Agency 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 Successor Agency obtains knowledge of the occurrence of any of these Listed Events, the Successor Agency 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 Successor Agency 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 Successor Agency 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 authority has assumed jurisdiction over substantially all of the assets or business of the Successor Agency, 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 authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Successor Agency.

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

Section 7. Termination of Reporting Obligation. The Successor Agency’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Successor Agency 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. Any Dissemination Agent may resign by providing 30 days’ written notice to the Successor Agency.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) 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 Bonds, or type of business conducted;

(b) 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the 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 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 Successor Agency 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(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency 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 Successor Agency 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 Successor Agency 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 Successor Agency fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency 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 Successor Agency 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 have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency 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 Successor Agency hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, the Bond holders or any other party. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency 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 Successor Agency, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the 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: _____, 2017

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY
OF SAN JOSE**

By: _____

Name: _____

Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Successor Agency to the Redevelopment Agency of the City of San José

Name of Issue: \$_____ 2017 Series A Senior Tax Allocation Refunding Bonds;

\$_____ 2017 Series A-T Senior Taxable Tax Allocation Refunding Bonds;

\$_____ 2017 Series B Subordinate Tax Allocation Refunding Bonds; and

\$_____ 2017 Series B-T Subordinate Taxable Tax Allocation Refunding Bonds.

Date of Issuance: _____, 2017

NOTICE IS HEREBY GIVEN that the Successor Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated _____, 2017, executed and delivered by the Successor Agency in connection with the execution and delivery of the Bonds. The Successor Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF SAN JOSE

By: _____
Its: _____

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the 2017 Bonds, payment of principal, interest and other payments on the 2017 Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2017 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 2017 Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the 2017 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 2017 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2017 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2017 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”), will act as securities depository for the securities (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 a Standard & Poor's 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 on its website. The information contained on this 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 will 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, distributions, and dividend payments 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-only 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.

APPENDIX H

LIST OF REFUNDED OBLIGATIONS

1. \$17,045,000 original principal amount of Redevelopment Agency of the City of José Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds Series 1997E.
2. \$106,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 1997.
3. \$240,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 1999.
4. Agency Pledge Agreement, dated April 1, 2001, by and between the City of San José Financing Authority (the "Authority") and the Successor Agency, as successor to the Former Agency, delivered in connection with the \$48,675,000 original principal amount of City of San José Financing Authority Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project).
5. Second Amended Reimbursement Agreement dated as July 1, 2001, by and between the City and the Successor Agency, as successor to the Former Agency, delivered in connection with the \$186,150,000 original principal amount of City of San José Financing Authority Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project).
6. \$135,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2003.
7. \$55,265,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Taxable Tax Allocation Bonds, Series 2003J.
8. \$13,735,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds, Series 2003K.
9. \$281,985,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Refunding Bonds, Series 2004A.
10. \$152,950,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Refunding Bonds, Series 2005A.
11. \$10,445,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Tax-Exempt Refunding Tax Allocation Bonds, Series 2005A.

12. \$119,275,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Taxable Refunding Tax Allocation Bonds, Series 2005B.
13. \$14,300,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Taxable Tax Allocation Bonds, Series 2006A-T.
14. \$67,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2006B.
15. \$423,430,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Refunding Bonds, Series 2006C.
16. \$277,755,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Refunding Bonds, Series 2006D.
17. \$191,600,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2007B.
18. \$37,150,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, Series 2008A.
19. \$80,145,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Tax Allocation Bonds, 2008B.
20. \$54,055,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Housing Set-Aside Tax-Exempt Refunding Tax Allocation Bonds, Series 2010A-1.
21. \$29,500,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Revenue Bonds, 1996 Series A.
22. \$29,500,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Revenue Bonds, 1996 Series B.
23. \$45,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Taxable Revenue Bonds 2003 Series A (Subordinate Tax Allocation).
24. \$15,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Revenue Bonds, 2003 Series B (Subordinate Tax Allocation).
25. \$93,000,000 original principal amount of Redevelopment Agency of the City of San José Merged Area Redevelopment Project Taxable Subordinate Housing Set-Aside Tax Allocation Variable Rate Bonds, Series 2010C.

APPENDIX I

PRO RATA PASS-THROUGH DISTRIBUTION OF PRINCIPAL

[] Term Bond Due []

<u>Principal Paydown Date</u>	<u>Mandatory Sinking Account/Paydown Amounts⁽¹⁾</u>	<u>Paydown Amount per \$1,000</u>	<u>Remaining Balance per \$1,000</u>	<u>Paydown Factor</u>	<u>Remaining Bond Factor</u>
[DATE]	\$	\$xxx.xx	\$xxx.xx	0.xxxxxx	0.xxxxxx
[DATE]	\$	\$xxx.xx	\$xxx.xx	0.xxxxxx	0.xxxxxx
[DATE]	\$	\$xxx.xx	\$xxx.xx	0.xxxxxx	0.xxxxxx
[DATE]	\$	\$xxx.xx	\$xxx.xx	0.xxxxxx	0.xxxxxx

(1) Subject to change in the event of certain optional redemptions or purchases of [Bonds] and subject to DTC's (or other securities depository) operational procedures on the date such mandatory sinking account redemption