

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE
CITY OF SAN JOSE**
(A Fiduciary Fund of the
City of San José, California)

Independent Auditor's Reports
and Basic Financial Statements

For the Year Ended June 30, 2025

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**
(A Fiduciary Fund of the City of San José, California)
For the Year Ended June 30, 2025

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Independent Auditor's Report

Board of Directors
Successor Agency of the
Redevelopment Agency of the City of San José
San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Successor Agency of the Redevelopment Agency of the City of San José (SARA), a fiduciary fund of the City of San José, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SARA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SARA, as of June 30, 2025, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SARA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

SARA's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SARA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SARA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SARA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2025 on our consideration of the SARA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SARA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SARA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California

November 13, 2025

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**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**
(A Fiduciary Fund of the City of San José, California)
Statement of Fiduciary Net Position
June 30, 2025

Assets:

Cash and investments	\$ 1,352,588
Receivables, net of allowance of \$101,997	76,957
Restricted cash and investments	131,039,753
Loans receivable, net of allowance of \$10,957,940	3,986,932
Accrued interest receivable, net of allowance of \$64,445	1,413,255
Deposits	5,000
Prepaid bond insurance	1,004,072
Capital assets:	
Nondepreciable	2,077,460
Depreciable, net	561,978
Total assets	141,517,995

Deferred outflows of resources:

Loss on deferred amount on refunding	17,999,133

Liabilities:

Accrued interest payable	14,666,853
Unearned revenues	13,406
Noncurrent liabilities:	
Due within one year	113,304,387
Due in more than one year	887,549,253
Total liabilities	1,015,533,899

Net deficit held in trust	\$ (856,016,771)

See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**
(A Fiduciary Fund of the City of San José, California)
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025

Additions:

Redevelopment property tax trust fund revenues	\$ 201,677,055
Investment income	2,328,480
Rent	66,553
Development fees and other	69,212
Other	<u>338,721</u>
 Total additions	 <u>204,480,021</u>

Deductions:

Administrative expense:	
Reimbursement of personnel expenses	66,048
Materials, supplies and other services	23,000
Project expenses	74,227
Pass-through amount to the County of Santa Clara	58,616,510
Depreciation	26,761
Interest on debt	<u>34,224,709</u>
 Total deductions	 <u>93,031,255</u>

Change in net position	111,448,766
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Net deficit, beginning of year	<u>(967,465,537)</u>
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Net deficit, end of year	<u>\$ (856,016,771)</u>
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See accompanying notes to basic financial statements.

**SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**
(A Fiduciary Fund of the City of San José, California)
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1 – REPORTING ENTITY

The former Redevelopment Agency of the City of José (“Agency”) was established in 1956 by the San José City Council as a public entity legally separate from the City of San José (“City”). In January 1975, the City Council declared itself the Agency Board, replacing a separate board. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Area”. Redevelopment projects were developed in cooperation with private developers. Public redevelopment projects were also developed under cooperation agreements between the Agency and the City or other public entity that would own the project.

On June 29, 2011, Assembly Bill X1 26 (“AB X1 26”) was enacted. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. AB X1 26 was subsequently amended on June 27, 2012 by Assembly Bill 1484 and on September 22, 2015 by Senate Bill 107, AB X1 26, as so amended, is referred to herein as the Redevelopment Dissolution Law. The legislation provides for successor agencies and oversight boards to be responsible for overseeing the dissolution process and the wind down of redevelopment activity. On January 24, 2012, the City Council affirmed its decision to serve as the Successor Agency to the Redevelopment Agency of the City of San José (“SARA” or “Successor Agency”), effective February 1, 2012. The SARA is a fiduciary component unit of the City. Also, upon dissolution, the City Council elected to retain the housing assets as well as the functions and powers previously performed by the Agency.

The SARA is a separate public entity from the City, subject to the direction and oversight of a Board consisting of the Mayor and the other members of the City Council (“SARA Board”). The SARA is also, pursuant to the Redevelopment Dissolution Law, subject to the direction and oversight of an oversight board.

Beginning July 1, 2018, pursuant to Health and Safety Code section 34179(j), the individual oversight boards within Santa Clara County were combined into one county-wide oversight board (“Oversight Board”). The Oversight Board is comprised of seven member representatives with one member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the Government Code, the independent special district selection committee established pursuant to Section 56332 of the Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made by the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the County. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller (“County Auditor-Controller”) and tasks have been delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and Office of the County Counsel.

In general, the SARA’s assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In general, the SARA is allocating revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the Agency until all enforceable obligations of the Agency have been paid in full and all assets have been liquidated. Based upon the nature of the SARA’s custodial role, the SARA is reported in a fiduciary fund (private-purpose trust fund).

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

New Pronouncements

During the year ended June 30, 2025, the SARA implemented the following Governmental Accounting Standards Board (“GASB”) Statements:

The SARA has adopted GASB Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The application of Statement No. 101 did not have any effect on the SARA’s financial statements.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements, continued

The SARA has adopted GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The application of Statement No. 102 did not have any effect on the SARA's financial statements.

The SARA is currently analyzing its accounting practices to determine the potential impact on the financial statements for the upcoming GASB Statements:

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. This statement addresses the following financial reporting topics: (1) Management's Discussion and Analysis; (2) Unusual or Infrequent Items; (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, (4) Major Component Unit Information, and (5) Budgetary Comparison Information.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The purpose of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets. It requires certain types of capital assets to be disclosed separately within the capital assets note disclosures required by Statement 34. These include lease assets recognized under Statement No. 87 (*Leases*), intangible right-to-use assets recognized under Statement No. 94 (*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*), and subscription assets recognized under Statement No. 96 (*Subscription-Based Information Technology Arrangements*). These assets must be disclosed separately by major class of underlying asset in the capital assets note disclosures.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements, continued

In addition, intangible assets other than those three types must also be disclosed separately by major class. The statement further requires additional disclosures for capital assets that are held for sale. The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

Investments

The SARA records investment transactions on the trade date. Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investment income, including unrealized gains and losses, is recognized as revenue.

In accordance with GASB Statement No. 72, the SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP in the United States of America. The following levels indicate the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 - Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at the measurement date.
- Level 2 - Investments whose values are based on inputs – other than quoted prices included within Level 1 – that are observable for an asset, either directly or indirectly.
- Level 3 - Investments whose values are based on unobservable inputs for an asset and may require a degree of professional judgment.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Redevelopment Property Tax Trust Fund Revenues

The Redevelopment Dissolution Law requires the County Auditor-Controller to collect funds formerly received by the Agency as tax increment and referred to herein as redevelopment property tax revenues. After deducting its administration costs, the County Auditor-Controller must distribute the collected redevelopment property tax revenues into the SARA's Redevelopment Property Tax Trust Fund ("RPTTF") to the extent necessary to pay the SARA's enforceable obligations, subject to the review and approval of the State Department of Finance. The Redevelopment Dissolution Law requires the County Auditor-Controller to distribute funds from the RPTTF twice each year as follows:

Distribution Date	Covers Recognized Obligation Payment Schedules to be Paid*
January 2	January 1 through June 30
June 1	July 1 through December 31

* The amounts distributed for Recognized Obligation Payment Schedules ("ROPS") are forward looking to the next six-month period.

On December 21, 2017, the SARA issued the 2017 Senior Tax Allocation Refunding Bonds and the 2017 Subordinate Tax Allocation Refunding Bonds ("2017 Refunding Bonds") to refund certain bonds and other enforceable obligations of the former Agency. The payment of debt service on the 2017 Refunding Bonds and the other obligations under the related indenture are payable from certain tax revenues on a basis senior to the payment (i) of all AB1290 statutory pass-through payments except AB1290 payments to the San José Unified School District and (ii) the negotiated pass-through payments to Santa Clara County. Under the distribution provisions of the Redevelopment Dissolution Law, AB1290 statutory pass-through payments and negotiated pass-through payments are made with funds on deposit in the RPTTF before funds are transferred to the SARA for the payment of enforceable obligations, including payment of debt service on the 2017 Refunding Bonds, unless there are insufficient funds to pay such debt service and certain other conditions are satisfied. Such conditions include the timely filing of a Notice of Insufficiency by the SARA in accordance with the Redevelopment Dissolution Law and the concurrence by the State Controller that there are insufficient funds for such purpose.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Redevelopment Property Tax Trust Fund Revenues, continued

All funds remaining in the RPTTF after payment of items (1) through (6) below, are paid to the applicable taxing entities. In the event there are insufficient tax revenues from the RPTTF to pay debt service on the 2017 Refunding Bonds, a Notice of Insufficiency is filed timely by the SARA, certain other conditions under the Redevelopment Dissolution Law are satisfied, and tax revenues from the RPTTF are distributed as follows: (1) administrative fees of the County Auditor-Controller; (2) San José Unified AB1290 pass-through; (3) debt service on the 2017 Refunding Bonds; (4) all other AB1290 and negotiated pass-through payments due to Santa Clara County; (5) all other enforceable obligations; and (6) the SARA's administrative cost allowance. See Note 6 for additional information regarding the 2017 Refunding Bonds.

Restricted Assets

Assets are restricted for specified uses by bonded debt requirements, grant provisions or other requirements, and their use is limited by applicable bond covenants or agreements.

Capital Assets

The SARA defines capital assets as assets with an initial individual cost of at least \$5,000 and an estimated useful life in excess of one year. The capital assets consist of both depreciable and non-depreciable assets. Capital assets are recorded in the financial statements at historical cost and are being depreciated using the straight-line method over the estimated useful life of 40 years for buildings. Beginning in FY 2026, the City updated its Capital Assets Policy to establish a capitalization threshold of \$10,000 for general capital assets.

Original Issue Discounts, Premiums, and Refundings

Original issue discounts and premiums are amortized using the straight-line method over the life of the bonds. Bonds payable are reported net of the applicable bond discounts and/or premiums. Gains or losses occurring from refunding of debt are reported as deferred inflows of resources or deferred outflows of resources, respectively, and amortized over the shorter of the life of the refunded debt or refunding debt. Amortization of these balances is recorded as a component of interest expense.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The SARA's cash and investments consist of the following at June 30, 2025:

<u>Cash & Investments</u>	<u>Amount</u>
Cash and Investments	\$ 1,352,588
Restricted Cash and Investments	131,039,753
Total Cash and Investments	<u>\$ 132,392,341</u>

Investments

The SARA follows provisions of the California Government Code, as set forth in the City's investment policy. The City Council adopted an investment policy ("Policy") on April 2, 1985, related to the City's cash and investment pool, which is subject to annual review. The Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Policy. The Policy was last reviewed and amended on March 11, 2025.

The Policy permits the City Director of Finance, acting as Chief Financial Officer for the SARA, to authorize investments that depart from the Policy's limits if such an action is in the best interest of the SARA and is otherwise consistent with the Policy and applicable City, state and federal laws.

The SARA also has investments subject to provisions of the bond indenture for the 2017 Tax Allocation Refunding Bonds (see Note 6). According to the bond indenture, the SARA is permitted to invest in the City's cash and investment pool, Local Agency Investment Fund ("LAIF"), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 3 – CASH AND INVESTMENTS - Continued

Investments, continued

At June 30, 2025, the SARA invested an amount of \$949,525 with LAIF, which is restricted for enforceable obligations. The weighted average days to maturity of LAIF was 248 days at June 30, 2025.

Government Code Section 16429.1 authorizes each local government agency to invest funds in the LAIF administered by the California State Treasurer. The total amount recorded by all public agencies in LAIF at June 30, 2025, was approximately \$24.5 billion. LAIF is part of the State's Pooled Money Investment Account ("PMIA"). The PMIA is not registered with the Securities and Exchange Commission ("SEC"), but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2025, was approximately \$178 billion and of that amount, 80.57% was invested in U.S. Treasuries and agencies, 12.61% in depository securities, 6.67% in commercial paper, and 0.15% in loans.

The LAIF is part of the State's PMIA that allows cities, counties and special districts to place money into the fund. The LAIF operating accounts allow a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than \$5,000 and in increments of a thousand dollars. The LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amounts at any time. The LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal every 30 days.

Fair Value Measurement Categorization

The SARA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The Money Market Mutual Funds and the LAIF are valued by net asset value. The inputs and techniques used for securities are not necessarily an indication of risk associated with investing in these securities. The SARA's investments in the Money Market Mutual Funds and the LAIF are not subject to the fair value hierarchy.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the SARA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker - dealer) to a transaction, the SARA, where the SARA's funds are invested, will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law, unless so waived by the governmental unit. The market value of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of the SARA's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the SARA's name.

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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 3 – CASH AND INVESTMENTS – Continued

Custodial Credit Risk, continued

As of June 30, 2025, none of the SARA's bank balance was exposed to custodial credit risk because the balance was under the FDIC insurance coverage limit of \$250,000. The actual book balance of bank deposits amounted to \$403,063 at June 30, 2025.

The SARA invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. To increase security, the SARA employs the trust department of a bank or trustee as the custodian of certain SARA investments, regardless of their form.

Interest Rate Risk

The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. One of the ways that the SARA manages its exposure to interest rate risk is by purchasing shorter-term investments and by timing the cash flows from the maturities, as necessary, to provide the cash flow and liquidity needs for operations.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by the nationally recognized statistical rating organizations. The SARA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures.

The following schedule indicates the interest rate and credit risk of the SARA's investments at June 30, 2025:

	S&P's Credit Rating	Maturity (in Days)			Balance at June 30
		Under 30	31-180	181-365	
Investments:					
LAIF	Not rated	\$ -	\$ -	\$ 949,525	\$ 949,525
Money Market Mutual Fund	AAA	131,039,753	-	-	131,039,753
Subtotal Investments		<u>\$ 131,039,753</u>	<u>\$ -</u>	<u>\$ 949,525</u>	<u>131,989,278</u>
Bank Deposits					403,063
Total Cash & Investments					<u>\$ 132,392,341</u>

**SUCCESSOR AGENCY TO THE
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Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 3 – CASH AND INVESTMENTS – Continued

Concentration of Credit Risk

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the SARA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves.

Restricted Cash and Investments: Held with Fiscal Agents

Under the provisions of the bond indenture, certain accounts with the trustee were established for repayment of debt and reserve requirements. At June 30, 2025, the amounts held by the trustee for the 2017 Tax Allocation Refunding Bonds aggregated to \$131,039,753. All restricted investments held by the trustee at June 30, 2025, were in compliance with the bond indenture.

NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable at June 30, 2025 is as follows:

Description	Loans Receivable	Allowance of Loans Receivable	Accrued Interest Receivable	Allowance of Interest Receivable	Net
1 Parcels of land sold to developers	\$ 1,728,360	\$ (1,728,360)	\$ -	\$ -	\$ -
2 HUD Section 108 loans	639,807	(639,807)	32,933	(32,933)	-
3 Historic home relocation loans	1,654,339	(1,654,339)	-	-	-
4 Rehabilitation of residential units	33,000	(33,000)	31,512	(31,512)	-
5 Commercial building loans	5,974,366	(1,987,434)	1,413,255	-	5,400,187
6 Rehabilitation of historic hotel building	4,915,000	(4,915,000)	-	-	-
Total	<u>\$ 14,944,872</u>	<u>\$ (10,957,940)</u>	<u>\$ 1,477,700</u>	<u>\$ (64,445)</u>	<u>\$ 5,400,187</u>

- Over the years, parcels of land had been sold to commercial real estate developers in various mixed-use projects. In one downtown residential condominium project located at 360 South Market Street in San José, the original developer entered into a Disposition and Development Agreement (“DDA”) with the Agency in 2005 to develop a mixed-use project on the property (“360 Residences Project”). The 360 Residences Project was acquired by a new owner at a foreclosure sale on March 25, 2011, subject to the original DDA. On April 26, 2011, the DDA was amended to give the new owner the right to convert the project from for-sale to rental. The DDA was also amended to give the new owner the authority to subsequently convert any units back to for-sale units. Under the amended DDA, the new owner also executed a new promissory note payable to the Agency in the principal amount of \$1,728,360. The principal under the promissory note is due and payable when all proceeds of sold condominium units exceed an invested capital threshold. At June 30, 2025, the amount due from the new owner was \$1,728,360. A provision for doubtful accounts was recorded for the entire balance due under the promissory note because the likelihood of the payment criteria being met is questionable in the foreseeable future.

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NOTE 4 – LOANS RECEIVABLE - Continued

2. In 1997 and 2007, the Agency extended loans to developers using funds obtained from the U.S. Department of Housing and Urban Development Section 108 loan proceeds. These loans have a 20-year repayment schedule and bear interest at an annual rate of 3%. At June 30, 2025, the amount due from the developers was \$639,807.
3. The Agency relocated historic single-family homes to vacant lots in downtown San José. These homes were sold to families and a non-profit agency. The owners made interior and exterior improvements using loans provided by the Agency. The loans are to be paid only in the event of non-compliance with the terms and conditions of the agreements. At the time residential occupancy of the house ceases or the property is transferred to anyone other than the owner by any method other than inheritance, the unamortized portion of the loan shall become due and payable in full. Unpaid principal shall bear an interest rate of 8% per annum at the time that the loan becomes due. As long as the owners are compliant with the terms and conditions of the agreement, the loan is forgiven at the end of the agreement. The total loans of \$1,654,339 have been offset with a provision for doubtful accounts as it is anticipated that these loans will be forgiven.
4. The Agency extended various bank-assisted loans to aid first-time homebuyers and to aid with the rehabilitation of homes. The loans accrue interest at various interest rates and are due when the related properties are sold. At June 30, 2025, the total amount due from such loans was \$64,512. A provision for doubtful accounts was provided for the entire loan balance because the likelihood of the payment criteria being met is questionable.
5. The Agency extended and amended various loans to property owners for the rehabilitation and improvements of commercial buildings. The loans are due within 10 to 25 years. The principal amount of the loans vary and they bear different interest rates. At June 30, 2025, the total amount due from these loans was \$7,387,621. An allowance for doubtful accounts in the amount of \$1,987,434 was made for the portion that is deemed uncollectable.
6. In 2005, the Agency amended and restated a DDA with a developer recognizing a loan for the rehabilitation of a historic hotel building. The loan has a 60-year repayment schedule, bears no interest, and requires principal payments on a semi-annual basis. At June 30, 2025, no payments were received and the remaining amount due from the developer was \$4,915,000, per a promissory note signed May 24, 2005. A provision for doubtful accounts was provided for the entire loan balance due, because the likelihood of the payment criteria being met is questionable in the foreseeable future. On September 17, 2025, SARA received approval from the California Department of Finance (DOF) to write off the uncollectible loan balance of \$4,915,000 in FY 2026.

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NOTE 5 – CAPITAL ASSETS

A summary of changes in the SARA’s capital assets for the year ended June 30, 2025 is as follows:

	<u>July 1, 2024</u>	<u>Addition</u>	<u>June 30, 2025</u>
Capital Assets, Not Being Depreciated:			
Land	\$ 2,077,460	\$ -	\$ 2,077,460
Capital Assets, Being Depreciated:			
Buildings	1,070,435	-	1,070,435
Less Accumulated Depreciation:			
Buildings	481,696	26,761	508,457
Total Capital Assets, Being Depreciated, net	588,739	(26,761)	561,978
Total Capital Assets, net	<u>\$ 2,666,199</u>	<u>\$ (26,761)</u>	<u>\$ 2,639,438</u>

On August 27, 2015, the Oversight Board approved a revised Asset Disposition Schedule for the non-governmental purpose properties listed on the Long-Range Property Management Plan (“LRPMP”), and approved the Disposition Process For Sale of Properties, which requires the sale of assets either through an open and competitive solicitation process or through a direct sale to the affected taxing entities or a non-profit organization. Additional amendments to the Asset Disposition Schedule were approved by the Oversight Board on January 14, 2016, April 28, 2016, October 27, 2016, and April 13, 2017.

NOTE 6 – DEBT

The following is a summary of long-term debt of the SARA at June 30, 2025 (in thousands):

Type of Indebtedness	Purpose	Original Issue Amount	Issue Date	Maturity Date	Interest Rate Range	Annual Principal Installments	June 30, 2025 Balance
Senior Tax Allocation Bonds:							
2017 Refunding Bonds Series A	Refunding - merged area projects	\$ 79,825	12/21/2017	8/1/2035	5.00%	\$0 - 53,810	\$ 79,825
2017 Refunding Bonds Series A-T	Refunding - merged area projects	1,333,325	12/21/2017	8/1/2034	3.08-3.38%	\$32,910 - 93,735	798,630
Total Senior Tax Allocation Bonds							<u>878,455</u>
Subordinate Tax Allocation Bonds:							
2017 Refunding Bonds Series B	Refunding - merged area projects	264,390	12/21/2017	8/1/2029	5.00%	\$7,820 - 29,835	102,805
Total Subordinate Tax Allocation Bonds							<u>102,805</u>
Total Long-Term Debt							<u>\$ 981,260</u>

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NOTE 6 – DEBT - Continued

The following summarizes the changes in long-term debt for the year ended June 30, 2025 (in thousands):

	<u>June 30, 2024</u>	<u>Reductions</u>	<u>June 30, 2025</u>	<u>Amount Due Within One Year</u>
Senior Tax Allocation Bonds:				
2017 Refunding Bonds Series A	\$ 79,825	\$ -	\$ 79,825	\$ -
2017 Refunding Bonds Series A-T	878,310	(79,680)	798,630	82,035
Subtotal Senior Tax Allocation Bonds	<u>958,135</u>	<u>(79,680)</u>	<u>878,455</u>	<u>82,035</u>
Subordinate Tax Allocation Bonds:				
2017 Refunding Bonds Series B	128,580	(25,775)	102,805	27,065
Subtotal Subordinate Tax Allocation Bonds	<u>176,500</u>	<u>(25,775)</u>	<u>102,805</u>	<u>27,065</u>
Subtotal Long-Term Debt before Unamortized	1,086,715	(105,455)	981,260	109,100
Issuance Premium (Discount), Net	23,798	(4,204)	19,594	4,204
Total Long-Term Obligations	<u>\$ 1,110,513</u>	<u>\$ (109,659)</u>	<u>\$ 1,000,854</u>	<u>\$ 113,304</u>

RPTTF revenue distributed by the County to the SARA in FY 2025 was \$143,060,545, which was assigned to pay recognized payment obligations, including debt service and debt related expenses on the Successor Agency Senior and Subordinate Tax Allocation Refunding Bonds, SARA administrative costs, and other enforceable obligations. During FY 2025, total RPTTF revenue collected by the County was \$448,078,141. After payment of County administrative fees totaling \$3,757,542, the balance is distributed based on the Health and Safety Code, unless such payments have been subordinate to the payment of debt service on the 2017 Senior Tax Allocation Refunding Bonds described in the following section, as is the case with all agencies except for the senior pass-through payments due to the San Jose Unified School District (\$14,085,985). After meeting obligations to make debt service payments on the 2017 Bonds, subordinate pass-through payments are made to the County (\$58,616,510), Basic Aid (\$488,617), and other taxing entities (\$49,454,791). With the residual balance (\$178,614,151) distributed to taxing entities.

All summaries of documents related to debt contained in this Note are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this Note is qualified in its entirety by reference to such document, which is on file with the SARA's Chief Financial Officer.

2017 Tax Allocation Refunding Bonds

On December 21, 2017, the SARA issued the 2017 Refunding Bonds pursuant to an Indenture of Trust dated as of December 1, 2017 ("2017 Indenture"), by and between the SARA and Wilmington Trust, National Association, as trustee ("Trustee"). The 2017 Refunding Bonds were issued in the aggregate original principal amount of \$1,677,540,000, in two senior series and one subordinate series. The senior series bonds, collectively referenced herein as 2017 Senior Tax Allocation Refunding Bonds, consist of \$79,825,000 original principal amount of the tax-exempt senior lien 2017 Series A Bonds Senior Tax Allocation Refunding Bonds ("2017A Bonds") and \$1,333,325,000 original principal amount of the taxable senior lien 2017 Series A-T Bonds Senior Taxable Tax Allocation Refunding Bonds

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NOTE 6 – DEBT - Continued

(“2017A-T Bonds”). The subordinate series bonds, referred to herein as 2017 Subordinate Tax Allocation Refunding Bonds, consist of \$264,390,000 of tax-exempt subordinate lien 2017 Series B Bonds Tax Allocation Refunding Bonds.

Proceeds of the 2017 Refunding Bonds were used to (i) redeem, defease, or prepay all of the former Agency’s then outstanding tax allocation bonds and reimbursement obligations under an agreement entered into in connection with the Financing Authority’s Revenue Bonds, Series 2001A (4th and San Fernando Parking Facility Project) and Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project) (Refunded Obligations), and (ii) pay the costs of issuing the 2017 Refunding Bonds, including the cost of the debt service reserve insurance policies. The refunding resulted in a difference between the reacquisition price (the amount required to repay previously issued debt in a refunding transaction) and the net carrying amount of the Refunded Obligations. This difference was reported as deferred outflows of resources in the Statement of Fiduciary Net Position and is being amortized over the next 11 years.

The 2017 Refunding Bonds are secured and payable from Tax Revenues and certain funds and accounts held by the Trustee. Tax Revenues are generally defined in the 2017 Indenture as the portion of property tax revenues collected in the Merged Project Area derived from incremental growth in assessed property values over the initial base year values in each of 17 component areas of the Merged Project Area, less certain County administrative fees, the AB1290 statutory pass-through payment to the San José Unified School District and amounts collected pursuant to the pension override or State Water Project override provisions of the Redevelopment Dissolution Law, if any. All other AB1290 statutory pass-through payments and the negotiated pass-through payments to Santa Clara County are subordinate to the payment of debt service on the 2017 Refunding Bonds and other debt service related obligations under the 2017 Indenture. Under the distribution provisions of the Redevelopment Dissolution Law, AB1290 statutory pass-through payments and negotiated pass-through payments are made from funds on deposit in the RPTTF before funds are transferred to the SARA for the payment of enforceable obligations (including payment of debt service on the 2017 Refunding Bonds) unless there are insufficient funds to pay such debt service and other payment obligations under the 2017 Indenture and certain other conditions are satisfied. Such conditions include the timely filing of a Notice of Insufficiency by the SARA in accordance with the Redevelopment Dissolution Law and the concurrence by the State Controller that there are insufficient funds for such purpose. The SARA has covenanted in the 2017 Indenture to comply with the provisions of the Redevelopment Dissolution Law related to placing its obligations under the 2017 Indenture on the recognized obligations under the 2017 Indenture throughout the term of the 2017 Refunding Bonds and, if applicable, file a Notice of Insufficiency in the event that there are insufficient Tax Revenues to make payment of debt service or other payment obligations under the 2017 Indenture. See Note 2 for a general description of the provisions of the Redevelopment Dissolution Law regarding distributions from the RPTTF and order of priority of payments therefrom.

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NOTE 6 – DEBT- Continued

The SARA has covenanted in the 2017 Indenture to take such actions as required under the Redevelopment Dissolution Law to include in each annual Recognized Obligation Payment Schedule the amount of debt service on the 2017 Refunding Bonds so as to enable the County Auditor-Controller to distribute from the RPTTF to SARA on each January 2 and June 1 the amounts required for the SARA to pay principal of, and interest on, the 2017 Refunding Bonds coming due in the respective six-month period following such distribution dates. These actions will include, without limitation, placing on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance the amounts to be held by the SARA as a reserve until the next six-month period, as contemplated by the Redevelopment Dissolution Law, that are necessary to comply with the 2017 Indenture.

Separate municipal bond debt service reserve policies issued by Build America Mutual Assurance Company (“BAM”) were deposited in the Senior Bonds Reserve Account of the Bond Reserve Fund for the 2017 Senior Tax Allocation Refunding Bonds (“2017 Senior Bonds Reserve Policy”) and in the Subordinate Bonds Reserve account of the Bond Reserve Fund for the 2017 Subordinate Tax Allocation Refunding Bonds (“2017 Subordinate Bonds Reserve Policy”). The 2017 Senior Bonds Reserve Policy was issued in the original stated amount of \$112,102,119, to satisfy the Senior Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Senior Tax Allocation Refunding Bonds were issued. The 2017 Subordinate Bonds Reserve Policy was issued in the original stated amount of \$30,978,128, to satisfy the Subordinate Bonds Reserve Requirement under the 2017 Indenture on the date the 2017 Subordinate Tax Allocation Refunding Bonds were issued.

The 2017 Senior Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Senior Tax Allocation Refunding Bonds are no longer outstanding under the 2017 Indenture; or (ii) August 1, 2035. The 2017 Subordinate Bonds Reserve Policy will terminate the earlier to occur of (i) the date on which the 2017 Subordinate Tax Allocation Refunding Bonds are no longer outstanding under the Indenture; or (ii) August 1, 2029. Per the terms of the 2017 Indenture, the SARA is not obligated to replace either reserve policy or to fund either reserve account with cash if, at any time that the 2017 Senior Tax Allocation Refunding Bonds or 2017 Subordinate Tax Allocation Refunding Bonds are outstanding, amounts are not available under such policy or if the rating of the claims-paying ability of BAM is downgraded, suspended, or withdrawn.

2017 Senior Tax Allocation Refunding Bonds - The 2017 Senior Tax Allocation Refunding Bonds were issued in two series – the tax-exempt 2017A Bonds and the taxable 2017A-T Bonds, with a parity senior lien on Tax Revenues. The 2017A Bonds are structured as two serial maturities in 2034 and 2035; both maturities bear interest at 5% per annum. The 2017A-T Bonds are structured as serial maturities in 2018 through and including 2029, and a term bond of \$361,845,000, maturing in 2034 (which term bond is subject to mandatory payment of principal beginning on August 1, 2030, through final maturity on August 1, 2034). The 2017A-T Bonds bear interest at rates ranging from 1.898% to 3.375% per annum. The 2017A and the 2017A-T Bonds maturing on and after August 1, 2028, are subject to redemption at the option of the SARA on or after August 1, 2027, at par. The 2017A Bonds have \$79,825,000 in principal subject to call and the 2017A-T Bonds have \$544,790,000 in principal subject to redemption at the option of the SARA. The total debt service payments on the 2017 Senior

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NOTE 6 – DEBT- Continued

Tax Allocation Refunding Bonds was \$110,918,663 for the year ended June 30, 2025. The principal and interest remaining on the 2017 Senior Tax Allocation Refunding Bonds as of June 30, 2025, is \$1,041,583,240.

2017 Subordinate Tax Allocation Refunding Bonds - The 2017 Subordinate Tax Allocation Refunding Bonds are structured as serial tax-exempt bonds with maturities in 2018 through 2029; and bear interest at rates ranging from 2% to 5% per annum. The 2017 Subordinate Tax Allocation Refunding Bonds are subject to redemption at the option of the SARA on or after August 1, 2027, at par. In total, \$17,490,000 in principal is subject to this ten-year par call. The 2017 Subordinate Tax Allocation Refunding Bonds are payable from Tax Revenues on a subordinate basis to the 2017 Senior Tax Allocation Refunding Bonds. The debt service payment on the 2017 Subordinate Tax Allocation Refunding Bonds was \$31,559,625 for the year ended June 30, 2025. The principal and interest remaining on the 2017 Subordinate Tax Allocation Refunding Bonds as of June 30, 2025, is \$112,886,375.

2017 Refunding Bonds - Events of Default - The events of default under the 2017 Indenture for the 2017 Refunding Bonds are: (i) failure to pay debt service when due; (ii) failure to comply with covenants and conditions of the 2017 Indenture or the 2017 Refunding Bonds or any Senior Parity Debt Instrument or Subordinate Parity Debt Instrument (as those terms are defined in the 2017 Indenture) and such default shall have continued for a period of 30 days following SARA's receipt from the Trustee or any bond owner of written notice of the occurrence of such default, provided that if in SARA's reasonable opinion the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the SARA within such 30 day period and SARA thereafter diligently and in good faith cures such failure in a reasonable period of time; and (iii) bankruptcy or similar debtor relief proceedings. Upon the occurrence and during the continuance of an event of default under the 2017 Indenture, the Trustee may, or, if requested by the owners of a majority of the principal amount of the outstanding 2017 Senior Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Senior Tax Allocation Refunding Bonds) or the 2017 Subordinate Tax Allocation Refunding Bonds (for events of default with respect to the 2017 Subordinate Tax Allocation Refunding Bonds), as applicable, shall, subject to the provisions of the 2017 Indenture, exercise any remedies available to the Trustee in law or at equity. The 2017 Indenture does not provide for acceleration of payment of the 2017 Refunding Bonds. The 2017 Indenture, however, provides for application of Tax Revenues upon an event of default in the order of priority set forth in the 2017 Indenture.

The 2017 Senior Tax Allocation Refunding Bonds are rated "AA" by S&P Global Ratings and "AA+" by Fitch Ratings and the 2017 Subordinate Tax Allocation Refunding Bonds are rated "AA-" by S&P Global Ratings and "AA+" by Fitch Ratings.

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NOTE 6 – DEBT- Continued

Debt Service Requirements

The debt service requirements for all debt are based upon a fixed rate of interest.

The annual requirements to amortize outstanding tax allocation bonds at June 30, 2025, including mandatory sinking fund payments, are as follows (in thousands):

Year Ending June 30	Principal	Interest
2026	109,100	33,262
2027	112,975	29,271
2028	117,080	25,064
2029	97,885	21,308
2030	102,550	17,955
2031-2035	387,860	45,004
2036	53,810	1,345
Total	\$ 981,260	\$ 173,209

Tax Sharing Agreement with the County of Santa Clara

Prior to 1994, the Redevelopment Law authorized redevelopment agencies to enter into tax sharing agreements with school districts and other taxing agencies to alleviate any financial burden or detriments to such taxing agencies caused by a redevelopment project. In 1983, the Agency and County entered into a tax sharing agreement (“Original Agreement”) under which the Agency would pay a portion of tax increment revenue generated in the Merged Area (“County Pass-Through Payment”). On December 16, 1993, the Agency, the County, and the City entered into a settlement agreement, which continued the County Pass-Through Payment.

On May 22, 2001, the County, the City and the Agency approved an Amended and Restated Agreement (“Amended Agreement”), which amended and restated the Original Agreement in its entirety. In addition to the continued Pass-Through Payment the Amended Agreement delegated to the County the authority to undertake redevelopment projects in or of benefit to the Merged Area and required the Agency to transfer funds to the County to pay for such projects (“Delegated Payment”). Until June 30, 2004, the Delegated Payment was equal to the County Pass-Through Payment. After January 1, 2004, 20% of the proceeds of any debt secured by the Agency’s Tax Increment Revenues (excluding bonds payable from Housing Set-Aside and refunding bonds) were required to be paid to the County as the Delegated Payment.

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NOTE 7 –TRANSACTIONS WITH THE CITY OF SAN JOSE

Reimbursements to the City

During the fiscal year, the SARA reimbursed the City for personnel expenses totaling \$66,048.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Risk Management

The SARA is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, general liabilities for which the SARA carries a property insurance policy or is self-insured. Claim expenses and liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated using actuarial methods or other estimating techniques. The technique to estimate claims is based on many complex factors, such as inflation, changes in legal doctrines, past settlements, and damages awarded. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimated claims liability will include amounts of incremental claims adjustment expense related to specific claims.

The SARA does not have any claims liabilities outstanding at June 30, 2025.

Contractual Commitments

At June 30, 2025, the SARA had \$180,935 for contractual obligations and commitments.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Directors
Successor Agency of the
Redevelopment Agency of the City of San José
San José, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Successor Agency of the Redevelopment Agency of the City of San José (SARA), a fiduciary fund of the City of San José, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SARA'S basic financial statements, and have issued our report thereon dated November 13, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SARA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SARA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SARA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the SARA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LPA". The signature is written in a cursive, flowing style.

Walnut Creek, California
November 13, 2025