

**SUPPLEMENTAL****Memorandum**

TO: HONORABLE MAYOR, CITY COUNCIL,
REDEVELOPMENT AGENCY BOARD
AND CITY OF SAN JOSE FINANCING
AUTHORITY BOARD

FROM: Julia H. Cooper

SUBJECT: REDEVELOPMENT AGENCY
HOUSING SET-ASIDE TAX
ALLOCATION BONDS,
SERIES 2005A, 2005B, 2005C AND 2005D

DATE: May 19, 2005

Approved

Kay Wimer

Date

5/19/05

COUNCIL DISTRICT: Citywide

SUPPLEMENTAL**REASON FOR SUPPLEMENTAL MEMORANDUM**

This supplemental report is provided for the following purposes: (i) to provide an update of the financing transaction; (ii) transmit Official Statements for the Redevelopment Agency Housing Set-Aside Tax Allocation Bonds, Series 2005A, B, C and D (the "Bonds"); (iii) increase the not to exceed amount of the Series 2005B to \$125 million; and (iv) to change CEQA reference to not a project.

UPDATE OF THE FINANCING TRANSACTION**TEFRA Hearing**

There are two TEFRA Hearings in connection with the Bonds. The first Hearing was held on October 18, 2004 by the City's Deputy Director of Finance. The second TEFRA Hearing, pertaining to projects not included in the first hearing, has been scheduled to be held by the Director of Finance on May 23, 2005 at 4:00 pm. The notice of public hearing was published in the *San José Post Record* on May 6, 2005. The projects included in this Hearing are shown in Exhibit A.

Increase in Authorized Amount of Taxable Series 2005B Bonds to \$125,000,000

Staff notes that the requested authorization of the Housing Set-Aside Taxable Refunding Tax Allocation Bonds, Series 2005B (the "2005B Bonds") has increased from \$120,000,000 to \$125,000,000. Although it is still expected that the principal amount of 2005B Bonds will be approximately \$111,330,000, the increase in the authorized bond size, if necessary, will: (1) provide

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the Underwriters more flexibility to market the 2005B Bonds as discount bonds if, at the time of marketing, such approach will lower the overall true interest cost for the 2005B Bonds and (2) allow for final appropriate allocation of the Bonds between tax-exempt (AMT) and taxable at the conclusion of the final tax analysis.

DOCUMENTS RELATED TO THE FINANCING

As discussed in the May 4, 2005 staff report, attached are copies of the draft Official Statements for the above referenced transactions, along with Appendix A, which generally describes the City's demographics and economics, and the Fiscal Consultant Report which discusses tax increment revenues.

Please note that while there are two Official Statements, one for the 2005A and B Bonds and one for the 2005C and D Bonds, Appendix A and the Fiscal Consultant Report are identical for both official statements. In order to save paper and reproduction costs, staff is only submitting one copy of Appendix A and the Fiscal Report.

Staff has carefully reviewed the information contained in the draft Official Statements and believes it to be accurate and complete in all material aspects. If any Council member, Redevelopment Agency board member or Authority board member has any personal knowledge that any of the material information in the Official Statements is false or misleading, the member must raise these issues prior to approval of the distribution of the document. City and Agency staff, bond/disclosure counsel, and the financial advisor will be available at the City Council/Board/Authority meeting on May 24, 2005 to address any questions, issues and/or concerns.

Additionally, the following documents are on file in the City Clerk's Office:

- Seventh Supplemental Agreement
- First Supplemental Agreement (Subordinate)
- Continuing Disclosure Agreement
- Reimbursement Agreements
- Debt Service Reserve Fund Policy Agreement¹
- Bond Purchase Agreement, Series 2005A and B
- Bond Purchase Agreement, Series 2005C
- Bond Purchase Agreement, Series 2005D
- Remarketing Agreement, Series 2005C
- Remarketing Agreement, Series 2005D
- Regulatory Agreement and Declaration of Restrictive Covenants
- Resolutions

¹ This Agreement was referred to as the Financial Guaranty Agreement in the staff report dated May 4, 2005.

HONORABLE MAYOR, CITY COUNCIL, REDEVELOPMENT AGENCY BOARD and AUTHORITY BOARD

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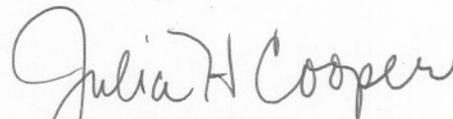
These documents are described in the staff report and are presented for City Council/Agency Board/Authority Board approval in substantially final form.

COORDINATION

This report has been prepared by the Finance Department in coordination with the Redevelopment Agency, Housing Department, the City Attorney's Office and the Office of General Counsel.

CEQA

Not a project. CEQA reference in Exhibit A of the original memo does not apply.



JULIA H. COOPER

Deputy Director, Finance Department

Attachments

EXHIBIT A

TEFRA HEARING

TEFRA Hearing to be Held May 23, 2005

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
Affordable Housing Loans to be Financed or Refinanced

<u>Project Name</u>	<u>Developer</u>	<u>Amount</u>
Betty Anne Gardens	Betty Anne Gardens, LP	\$2,200,000
Cinnabar Commons	Cinnabar Commons, LP	14,000,000
Craig Gardens	Craig Gardens, LP	2,250,000
Evans Lane (VTA)	City-owned	10,000,000
Fallen Leaves	Fallen Leaves Apartments, LP.	9,500,000
Helzer Court	Helzer Associates	4,000,000
Oak Tree Village	Branham Lane Apartment Associates, LP	9,500,000
Ohlone-Chynoweth	Chynoweth Housing Associates	4,000,000
Paseo Senter II	Paseo Senter, LP.	7,000,000
Sunset Square	Sunset Square, LP	3,000,000
Villa Monterey	KDF Villa Monterey, LP	3,500,000
		<u>\$68,450,000</u>

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CITY OF SAN JOSE
MAY 23 2005