PRELIMINARY OFFICIAL STATEMENT DATED ________, 2010

NEW ISSUE – FULL BOOK-ENTRY

RATINGS: Moody's: ____
Standard & Poor's: ____
Fitch: ____
(See "RATINGS" herein)

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Housing Series 2010A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") except that no opinion is expressed as to such exclusion of interest on any bond for any period during which the Housing Series 2010A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Housing Series 2010A Bonds or a "related person," and (ii) interest on the Housing Series 2010A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. Interest on the Housing Series 2010B Bonds is included in gross income for federal income tax purposes pursuant to the Code. In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS – TAX EXEMPT BONDS" and "TAX MATTERS – TAXABLE BONDS" herein.

Redevelopment Agency of the City of San José
Merged Area Redevelopment Project
Housing Set-Aside Tax Allocation Bonds

$[56,695,000]	**$__________***
Tax-Exempt Refunding Tax Allocation Bonds	**Taxable Refunding Tax Allocation Bonds**
Housing Series 2010A	**Housing Series 2010B**
(Non-AMT)	

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

The Redevelopment Agency of the City of San José (the "Agency") is issuing its Merged Area Redevelopment Project Housing Set-Aside Tax-Exempt Refunding Tax Allocation Bonds, Housing Series 2010A (the "Housing Series 2010A Bonds") and its Merged Area Redevelopment Project Housing Set-Aside Taxable Refunding Tax Allocation Bonds, Housing Series 2010B (the "Housing Series 2010B Bonds," and together with the Housing Series 2010A Bonds, the "Housing Series 2010 Bonds"), for the purpose of (i) refunding certain outstanding obligations of the Agency, (ii) funding a Reserve Account for the Housing Series 2010 Bonds, and (iii) paying costs of issuance related to the Housing Series 2010 Bonds. See "Plan of Financing" herein.

Interest on the Housing Series 2010 Bonds is payable on August 1, 2010, and semi-annually thereafter on each February 1 and August 1. The Housing Series 2010 Bonds will be issued in denominations of $5,000 or integral multiples thereof. The Housing Series 2010 Bonds, when delivered, will be issued in fully registered form without coupons in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Housing Series 2010 Bonds as described in APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM." No physical distribution of the Housing Series 2010 Bonds will be made to the public under this arrangement.

The Housing Series 2010 Bonds are special obligations of the Agency and are payable solely from and secured by a pledge of Housing Set-Aside Amounts, which consist of Tax Increment Revenues required to be deposited into the Low and Moderate Income Housing Fund pursuant to the Redevelopment Law, as further discussed herein. The Agency has five other series of Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds currently outstanding in the aggregate principal amount of $_________ (together with the Housing Series 2010 Bonds, the "Bonds"). The Bonds are equally and ratably secured by the pledge and lien of Housing Set-Aside Amounts under the Fiscal Agent Agreement, dated as of February 1, 1993, between the Agency and Wells Fargo Bank, National Association, as successor fiscal agent, as supplemented and amended (as further described herein, the "Agreement"). Simultaneously with the issuance of the Housing Series 2010 Bonds, the Agency intends to issue its Merged Area Redevelopment Project Taxable Subordinate Housing Set-Aside Tax Allocation Variable Rate Bonds, Series 2010C (the "Subordinate Bonds") in the approximate aggregate principal amount of $__________*, which will be secured by the Housing Set-Aside Amounts on a basis subordinate to the payment of debt service on the Bonds.

The Housing Series 2010 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, in whole or in part, as described herein. See "The Housing Series 2010 Bonds – Redemption Provisions" herein.

The Housing Series 2010 Bonds are special obligations of the Agency secured by an irrevocable pledge of, and payable as to principal, premium, if any, and interest solely from Housing Set-Aside Amounts described herein and other funds held under the Agreement. All of the Housing Series 2010 Bonds are equally secured by a pledge of and charge and lien upon, all of the Housing Set-Aside Amounts, and the Housing Set-Aside Amounts constitute a trust fund for the security and payment of the interest on, the principal of and premium, if any, of the Housing Series 2010 Bonds and any other Parity Obligations (as defined herein) issued by the Agency in accordance with the Agreement. The principal amount of the Housing Series 2010 Bonds, the interest thereon and any premiums payable upon the redemption or purchase thereof, is not a debt of the City of San José (the "City"), the State of California (the "State") or any of its political subdivisions other than the Agency, and neither the City, the State nor any of its political subdivisions other than the Agency is liable thereon, nor in any event shall the principal of, premium, if any, or interest on the Housing Series 2010 Bonds be payable out of any funds or properties other than the Housing Set-Aside Amounts of the Agency as set forth in the Agreement. Neither the members of the Agency nor any persons executing the Housing Series 2010 Bonds are liable personally on the Housing Series 2010 Bonds by reason of their issuance.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

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* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED ________, 2010

MATURITY SCHEDULE ON INSIDE FRONT COVER

The Housing Series 2010 Bonds are delivered when, as and if issued, subject to the approval of validity by Hawkins Delafield & Wood LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Agency by its General Counsel and by Hawkins Delafield & Wood LLP, as Disclosure Counsel, for the City by the City Attorney, and for the Underwriters by their counsel, Chapman & Cutler LLP. It is anticipated that the Housing Series 2010 Bonds will be available for delivery through DTC on or about ___________, 2010.

[Underwriter/s]

Dated: ___________, 2010

Redevelopment Agency of the City of San José
Merged Area Redevelopment Project
Housing Set-Aside Tax Allocation Bonds

Tax-Exempt Refunding Tax Allocation Bonds
Housing Series 2010A
(Non-AMT)

$________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†

Taxable Refunding Tax Allocation Bonds
Housing Series 2010B

$_______ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†

$__________ ___% Term Bond due August 1, 20___ Yield/Price ____ CUSIP†:___________

$__________ ___% Term Bond due August 1, 20___ Yield/Price ____ CUSIP†:___________

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

AGENCY BOARD AND CITY COUNCIL

Chuck Reed, *Chair and Mayor*
Pete Constant, *Member, District 1*
Ash Kalra, *Member, District 2*
Sam Liccardo, *Member, District 3*
Kansen Chu, *Member, District 4*
Nora Campos, *Member, District 5*
Pierluigi Oliverio, *Member, District 6*
Madison Nguyen, *Member, District 7*
Rose Herrera, *Member, District 8*
Judy Chirco, *Member, District 9 and Vice Mayor*
Nancy Pyle, *Member, District 10*

AGENCY STAFF

Harry S. Mavrogenes, *Executive Director*
John Weis, *Assistant Executive Director*
David C. Baum, *Director of Finance / Chief Financial Officer*
Abraham M. Andrade, *Assistant Director of Finance*
Richard Doyle, *General Counsel*
Patricia A. Deignan, *Chief Deputy General Counsel*

CITY STAFF

Debra Figone, *City Manager*
Richard Doyle, *City Attorney*
Lee Price, *City Clerk*
Scott P. Johnson, *Director of Finance*
Leslye Krutko, *Director of Housing*
Julia H. Cooper, *Assistant Director of Finance*
Patricia A. Deignan, *Chief Deputy City Attorney*
Rachel VanderVeen, *Administrative Officer*
Peter Detlefs, *Financial Analyst*

PROFESSIONAL SERVICES

Financial Advisor

Ross Financial
San Francisco, California

Fiscal Consultant

Urban Analytics, LLC
San Francisco, California

Bond Counsel and Disclosure Counsel
Hawkins Delafield & Wood LLP
San Francisco, California

Fiscal Agent and Escrow Agent
Wells Fargo Bank, National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Agency or the Underwriters to give any information or to make any representations with respect to the Housing Series 2010 Bonds, other than those in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the forgoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Housing Series 2010 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained herein has been obtained from the Agency and sources other than the Agency that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by and is not to be relied upon or construed as a promise or representation by the Agency or the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or DTC since the date hereof. Copies of documents referred to herein and information concerning the Housing Series 2010 Bonds are available from David C. Baum, Director of Finance, Redevelopment Agency of the City of San José, 200 East Santa Clara Street, San José, California 95113, telephone 408.535.8500, E-mail: david.baum@sanjoseca.gov. The Agency may impose a charge for copying, mailing and handling.

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 respective 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.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and "forward looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this context, the words "estimate," "forecast," "project" (when used as a verb), "anticipate," "expect," "intend," "plan" (when used as a verb), "believe" and similar expressions are intended to identify forward looking statements. All projections, forecasts, assumptions and other forward looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

This Official Statement is not a contract with the purchasers of the Housing Series 2010 Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive and are qualified in their entireties by reference to each such document, statute and constitutional provision.

This Official Statement is submitted in connection with the sale of the Housing Series 2010 Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Agency.

The Housing Series 2010 Bonds have not been registered under the Securities Act of 1933, as amended, or under any state securities law, and the Agreement has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon the exemptions contained in such acts. The Housing Series 2010 Bonds will not be listed on any stock or other securities exchange. The Housing Series 2010 Bonds have not been recommended by any federal or state securities commission or regulatory authority and neither the securities and exchange commission nor any other federal, state or governmental entity or agency will have passed upon the accuracy or adequacy hereof. Any representation to the contrary may be a criminal offense.

In connection with this offering, the underwriters may overallot or effect transactions that stabilize or maintain the market price of the Housing Series 2010 Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing transactions, if commenced, may be discontinued at any time. The underwriters may offer and sell the Housing Series 2010 Bonds to certain dealers, institutional investors and others at prices lower than the initial public offering prices, and said public offering prices may be changed from time to time by the underwriters.

TABLE OF CONTENTS

REGIONAL MAP

[Please provide updated map]

OFFICIAL STATEMENT

Redevelopment Agency of the City of San José
Merged Area Redevelopment Project
Housing Set-Aside Tax Allocation Bonds

$[56,695,000]
Tax-Exempt Refunding Tax Allocation Bonds
Housing Series 2010A
(Non-AMT)

$__________[*]
Taxable Refunding Tax Allocation Bonds
Housing Series 2010B

INTRODUCTION

This Introduction is subject in all respects to the more complete information included and referred to elsewhere in this Official Statement, and the offering of the Housing Series 2010 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT" for summaries of provisions referred to herein and definitions of certain words and terms used herein.

General

This Official Statement, including the cover page and the appendices hereto, is provided to furnish certain information in connection with the sale and issuance by the Redevelopment Agency of the City of San José (the "Agency") of $[56,695,000] aggregate principal amount of its Merged Area Redevelopment Project Housing Set-Aside Tax-Exempt Refunding Tax Allocation Bonds, Housing Series 2010A (the "Housing Series 2010A Bonds") and $__________[*] in aggregate principal amount of its Merged Area Redevelopment Project Housing Set-Aside Taxable Refunding Tax Allocation Bonds, Housing Series 2010B (the "Housing Series 2010B Bonds," and together with the Housing Series 2010A Bonds, the "Housing Series 2010 Bonds").

The Housing Series 2010 Bonds are being issued to (i) refund the Agency's outstanding Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Variable Rate Demand Bonds (AMT), Series 2005C (the "Series 2005C Bonds") and Series 2005D (the "Series 2005D Bonds," and together with the Series 2005C Bonds, the "Refunded Bonds"), currently outstanding in the total aggregate principal amount of $[56,695,000], (ii) fund a Reserve Account for the Housing Series 2010 Bonds, and (iii) pay costs of issuance related to the Housing Series 2010 Bonds. See "PLAN OF FINANCING" herein.

The Housing Series 2010 Bonds will be issued pursuant to a Fiscal Agent Agreement, dated as of February 1, 1993 (the "Original Fiscal Agent Agreement"), between the Agency and First Interstate Bank of California, as succeeded by Wells Fargo Bank, National Association, as

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[*] Preliminary, subject to change.

fiscal agent thereunder (the "Fiscal Agent"), as heretofore supplemented and amended, and as supplemented by an Eighth Supplemental Agreement, dated as of ________ 1, 2010 (the "Eighth Supplemental Agreement" and, collectively with the Original Fiscal Agent Agreement, as supplemented, the "Agreement"), by and between the Agency and the Fiscal Agent. Certain capitalized terms used herein are defined in APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT."

The Housing Series 2010 Bonds will be secured on a parity basis with $[189,440,000] of other outstanding Bonds of the Agency. See "INTRODUCTION – Other Parity Agency Housing Set-Aside Tax Allocation Bonds" herein.

Simultaneously with the issuance of the Housing Series 2010 Bonds, the Agency intends to issue its Merged Area Redevelopment Project Taxable Subordinate Housing Set-Aside Tax Allocation Variable Rate Bonds, Series 2010C (the "Subordinate Bonds") in the aggregate principal amount of $__________[*], which will be secured by the Housing Set-Aside Amounts (as defined herein) on a basis subordinate to the payment of debt service on the Parity Obligations (as defined herein). The proceeds of the Subordinate Bonds will be applied to finance and refinance affordable housing projects in the City of San José. The Subordinate Bonds will be purchased by an investor pursuant to a private placement arrangement. See "PLAN OF FINANCING" herein.

The Agency and the Merged Project Area

The Agency was activated by the City Council of the City of San José (the "City") in October 1956, upon the determination by the City Council that there was a need for redeveloping portions of the City. In January 1975, the City Council replaced an appointed governing board and declared itself to be the Agency Board. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE."

The Merged Area Redevelopment Project was formed in 1981 from the merger of existing Agency project areas. Other project areas have been subsequently established and added to the Merged Area Redevelopment Project. Only 16 of these merged project areas are currently authorized to generate Tax Increment Revenue (as defined herein). These 16 project areas are collectively referred to herein as the "Merged Project Area." See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Merged Area Redevelopment Project" herein.

The Merged Project Area is composed of approximately 8,110 acres. For Fiscal Year 2009-10, the Merged Project Area has a total assessed valuation of approximately $20 billion, which is an increase from a total assessed valuation of approximately $19.5 billion in Fiscal Year 2008-09. The Merged Project Area is estimated to generate gross tax increment of approximately $200,275,000 in Fiscal Year 2009-10, with approximately $40,055,000 of this amount designated as Housing Set-Aside Amounts. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Historic Assessed Value and Housing Set-Aside Amounts" and APPENDIX D – "REPORT OF FISCAL CONSULTANT."

Authorization and Purpose; Means of Sale

The Housing Series 2010 Bonds are being issued pursuant to the authority granted under the Community Redevelopment Law, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "Redevelopment Law"), and the provisions of the Agreement. On March __, 2010, the Agency and the City adopted resolutions which authorized the issuance, sale and delivery of the Housing Series 2010 Bonds and the execution and delivery of the Eighth Supplemental Agreement. The Housing Series 2010 Bonds are being issued by the Agency to (i) refund the Refunded Bonds currently outstanding in the total aggregate principal amount of $[56,695,000], the proceeds of which were applied to finance and refinance affordable housing projects within the City, (ii) fund a Reserve Account for the Housing Series 2010 Bonds, and (iii) pay costs of issuance related to the Housing Series 2010 Bonds. See "PLAN OF FINANCING."

Sources of Payment for the Housing Series 2010 Bonds

The Housing Series 2010 Bonds are special obligations of the Agency and are payable from and secured by a pledge of Housing Set-Aside Amounts, which are the amounts of Tax Increment Revenues required to be deposited into the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.6 or 33487 of the Redevelopment Law, but not to exceed 20% of the Tax Increment Revenues. Section 33487 of the Redevelopment Law establishes the low and moderate income housing set-aside requirement for merged project areas, and currently requires that 20% of the tax allocations for merged redevelopment projects be set aside for low and moderate income housing purposes. See "SECURITY AND SOURCES OF PAYMENT FOR THE HOUSING SERIES 2010 BONDS – General."

The Housing Series 2010 Bonds will be equally and ratably secured by the pledge of Housing Set-Aside Amounts, as provided in the Agreement. The Housing Set-Aside Amounts also secure other parity obligations of the Agency and, on a subordinate basis, other indebtedness of the Agency including the Subordinate Bonds and a Line of Credit Agreement (as defined herein) among the City, the Agency and The Bank of New York. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Debt Secured by Housing Set-Aside Amounts." The Housing Series 2010 Bonds are not payable from, and are not secured by, any revenues of the Agency other than the Housing Set-Aside Amounts. See "SECURITY AND SOURCES OF PAYMENT FOR THE HOUSING SERIES 2010 BONDS – Pledge of Housing Set-Aside Amounts."

See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Assessment Appeals and Assessor Reductions," "SPECIAL RISK FACTORS – Reduction in Taxable Value" and "– Assessment Appeals and Assessor Reductions to Assessed Value" for a discussion of recent developments concerning assessment appeals, settlements and related policies.

Parity Obligations

The Agreement defines "Parity Obligations" as all Bonds and such other obligations of the Agency (including without limitation, bonds, notes, interim certificates, debentures or other obligations) secured on a parity basis by a pledge of Housing Set-Aside Amounts. The

Agreement provides that the Agency may issue or enter into Parity Obligations for the purpose of increasing, improving and/or preserving the supply of low and moderate income housing within the City, provided that Housing Set-Aside Amounts to be received by the Agency based upon the most recent taxable valuation of property in the Merged Project Area total at least 1.15 times the maximum annual debt service on Bonds reasonably expected to be outstanding and any Parity Obligations to be issued. The Agency may exercise its option each year to use all remaining Housing Set-Aside Amounts for other lawful purposes after all remaining debt service requirements have been satisfied. See "SECURITY AND SOURCES OF PAYMENT FOR THE HOUSING SERIES 2010 BONDS – Issuance of Parity Obligations" and APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Issuance of Parity Obligations."

Estimated Fiscal Year 2009-10 Housing Set-Aside Amounts are expected to provide ____ times coverage of maximum annual debt service on all outstanding Parity Obligations, including the Housing Series 2010 Bonds. See "AGGREGATE DEBT SERVICE" and "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Projected Debt Service Coverage."

The following series of Bonds are currently outstanding pursuant to the Agreement:

- ***Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds, Series 1997E***, issued in the original aggregate principal amount of $17,045,000, $[17,045,000] of which remain outstanding;

- ***Merged Area Redevelopment Project Housing Set-Aside Taxable Tax Allocation Bonds, Series 2003J and Series 2003K***, issued in the total original aggregate principal amount of $69,000,000, $[48,490,000] of which remain outstanding; and

- ***Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds, Series 2005A and Series 2005B***, issued in the total original aggregate principal amount of $129,720,000, $[123,905,000] of which remain outstanding.

Terms of the Housing Series 2010 Bonds

The Housing Series 2010 Bonds will be dated their date of delivery. The Housing Series 2010 Bonds will be issued as fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Housing Series 2010 Bonds. Purchases of beneficial interests in the Housing Series 2010 Bonds will be made in book-entry only form, in denominations of $5,000 or any integral multiple thereof. See APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payments. Interest on the Housing Series 2010 Bonds is payable commencing August 1, 2010, and semiannually thereafter on each February 1 and August 1. Interest and principal on the Housing Series 2010 Bonds are payable by the Fiscal Agent to DTC, which will be responsible for remitting such principal and interest to its Participants, which will in turn be responsible for remitting such principal and interest to the Beneficial Owners of the Housing Series 2010 Bonds.

See "The Housing Series 2010 Bonds – Payment of Principal and Interest" and APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions. The Housing Series 2010 Bonds maturing on and after August 1, 20__ may be redeemed prior to maturity at the option of the Agency beginning on or after August 1, 20__, but such optional redemption may be rescinded if for any reason funds are not available on the date fixed for redemption for the payment in full of the Housing Series 2010 Bonds then called for redemption. The Housing Series 2010 Bonds are also subject to mandatory sinking fund redemption as described herein. See "THE HOUSING SERIES 2010 BONDS – Redemption Provisions."

Continuing Disclosure

The Agency has covenanted to provide annually certain financial information and operating data relating to the Agency and notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE." The specific timing and nature of the information to be contained in the annual reports filed by or on behalf of the Agency or the notices of material events are set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Agency and the Housing Series 2010 Bonds are available from David C. Baum, Director of Finance, Redevelopment Agency of the City of San José, 200 East Santa Clara Street, San José, California 95113, telephone 408.535.8500, E-mail: david.baum@sanjoseca.gov. The Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCING

Issuance of the Housing Series 2010 Bonds. The Housing Series 2010 Bonds are being issued by the Agency to (i) refund the Agency's outstanding Merged Area Redevelopment Project Housing Set-Aside Tax Allocation Variable Rate Demand Bonds (AMT), Series 2005C (the "Series 2005C Bonds") and Series 2005D (the "Series 2005D Bonds," and together with the Series 2005C Bonds, the "Refunded Bonds"), (ii) fund a Reserve Account for the Housing Series 2010 Bonds, and (iii) pay costs of issuance related to the Housing Series 2010 Bonds.

The Series 2005C Bonds and the Series 2005D Bonds are currently outstanding in the aggregate principal amounts of $________ and $_________, respectively. Proceeds of the Refunded Bonds were used to finance and refinance affordable housing projects within the City. While the Refunded Bonds were originally issued as "AMT Bonds" the interest on which was treated as a preference item for purposes of calculating federal individual and corporate alternative minimum taxes, the interest on the Housing Series 2010 Bonds ***will not*** be a specific preference item for such purposes (i.e. they will be "Non-AMT Bonds") pursuant to a provision of the American Recovery and Reinvestment Act of 2009, enacted on February 19, 2009 ("ARRA"), that permits such tax treatment for certain bonds issued before December 31, 2010.

Plan of Refunding. Simultaneously with the issuance of the Housing Series 2010 Bonds, the fiscal agent for the Series 2005C Bonds and the Series 2005D Bonds will draw on the letter of credit currently in effect with respect to the Series 2005C Bonds and the letter of credit currently in effect with respect to the Series 2005D Bonds, respectively, in the amount necessary to redeem in full the Series 2005C Bonds and the Series 2005D Bonds, respectively, and will apply such amounts to the redemption in full of the Series 2005C Bonds and the Series 2005D Bonds, respectively. A portion of the proceeds of the sale of the Housing Series 2010 Bonds will be applied to reimburse The Bank of New York, as issuer of such letters of credit (the "Refunded Bonds Letter of Credit Bank"), for such draws.

Issuance of Subordinate Bonds. Simultaneously with the issuance of the Housing Series 2010 Bonds, the Agency intends to issue its Merged Area Redevelopment Project Taxable Subordinate Housing Set-Aside Tax Allocation Variable Rate Bonds, Series 2010C (the "Subordinate Bonds") in the approximate aggregate principal amount of $________*, which will be secured by the Housing Set-Aside Amounts on a basis subordinate to the payment of debt service on the Parity Obligations. The proceeds of the Subordinate Bonds will be applied to finance and refinance affordable housing projects in the City of San José. The Subordinate Bonds will be purchased by an investor pursuant to a private placement arrangement.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the Housing Series 2010 Bonds:

	Series A	Series B	Total
Estimated Sources			
Par Amount	$		
Original Issue Premium/Original Issue Discount			
Underwriters' Discount			
TOTAL	$		
Estimated Uses			
Reimbursement to the Refunded Bonds Letter of Credit Bank	$		
Reserve Account			
Costs of Issuance(1)			
Underwriters' Discount			
TOTAL	$		

____

____

* Preliminary, subject to change.

(1) Includes the Agency's and the City's expenses, fiscal agent, ratings, financial advisory and legal fees and expenses and other miscellaneous expenses associated with the issuance of the Housing Series 2010 Bonds.

THE HOUSING SERIES 2010 BONDS

Authorized Denominations and Maturities

The Housing Series 2010 Bonds will be issued in Authorized Denominations of $5,000 or any integral multiple thereof and will have the maturity dates set forth on the inside cover page hereof, provided that no Bond shall have principal maturing on more than one principal maturity date.

Payment of Principal and Interest

The Housing Series 2010 Bonds will be dated their date of delivery. Interest on the Housing Series 2010 Bonds (calculated on the basis of a 360-day year composed of twelve 30-day months) is payable on each February 1 and August 1, commencing August 1, 2010 (each an "Interest Payment Date"), by check mailed first class by the Fiscal Agent to the Holders at their addresses shown on the registration books kept by the Fiscal Agent at the close of business on the fifteenth day of the calendar month immediately preceding such Interest Payment Date (the "Record Date"); provided that payment of interest may be paid by federal wire transfer to an account in the United States designated by any Holder of Bonds in the aggregate principal amount of $1,000,000 or more, upon provision of written notice received by the Fiscal Agent prior to the applicable Record Date. Principal of, and redemption premiums, if any, on the Housing Series 2010 Bonds is payable upon the surrender thereof in lawful money of the United States of America at the principal corporate office of the Fiscal Agent in Los Angeles, California, or at such other office as designated by the Fiscal Agent.

Redemption Provisions

Mandatory Sinking Fund Redemption

The Housing Series 2010 Bonds maturing August 1, 20__ are subject to mandatory redemption in part by lot prior to their maturity date, upon notice as described below, on each August 1, commencing August 1, 20__, solely from money which has been deposited into the Housing Series 2010__ Principal Account in amounts and upon the dates established for such Housing Series 2010__ Term Bonds, as follows:

Year Ending August 1	Mandatory Sinking Fund Payments
	$
†	

† Maturity.

If Bonds of a given series are redeemed in part prior to their stated maturity date from moneys other than mandatory sinking fund payments, the remaining mandatory sinking fund payments for such series of Bonds will be revised and reduced in the manner determined by the Agency.

Optional Redemption

The Housing Series 2010 Bonds maturing on or after August 1, 20__ shall be subject to redemption as a whole or in part among such maturities as designated by the Agency (and by lot within any one maturity) prior to their respective maturity dates, upon notice as described below, at the option of the Agency, on any date on or after August 1, 20__, from funds derived by the Agency from any legally available source, at a redemption price equal to the percentage of the principal amount of the Housing Series 2010 Bonds called for redemption, together with interest accrued thereon to the date of redemption.

General Redemption Provisions

Selection of Bonds for Redemption. Whenever provision is made by the Agency for the redemption of less than all of the Housing Series 2010 Bonds or any given portion thereof, the Agency shall select the maturities of the Housing Series 2010 Bonds to be redeemed, subject to redemption or such given portion thereof not previously called for redemption, and the Fiscal Agent shall select the Housing Series 2010 Bonds to be redeemed within any maturity by lot in any manner that the Fiscal Agent, in its sole discretion, shall deem appropriate and fair.

Notice of Redemption. Notice of redemption shall be given by the Fiscal Agent for and on behalf of the Agency, by first class mail, not more than 60 and not less than 30 days, to the Information Services and Securities Depositories, and the Holder of each Bond called for redemption, at its address as it appears on the registration books for that purpose, but neither failure to mail such notice to any Holder of a Bond nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Housing Series 2010 Bonds with respect to which such failure or defect shall have occurred. Each notice of redemption shall state the redemption date, the place of redemption, the principal amount, if less than all the Housing Series 2010 Bonds are called for redemption, the distinctive series and numbers of the Housing Series 2010 Bonds to be redeemed, and shall also state that the interest on the Housing Series 2010 Bonds in such notice designated for redemption shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Housing Series 2010 Bonds the principal amount thereof to be redeemed, interest accrued thereon to the redemption date and the premium, if any, thereon (such premium to be specified).

If DTC or its nominee is the registered owner of any Housing Series 2010 Bond to be redeemed, notice of redemption will be given to DTC or its nominee as a registered owner of such Housing Series 2010 Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner of any Housing Series 2010 Bond to be redeemed shall not affect the validity of the redemption of such Housing Series 2010 Bond.

Rescission of Optional Redemption. The Agency shall have the right to rescind any optional redemption by written notice to the Fiscal Agent on or prior to the date fixed for redemption. Each notice of redemption relating to an optional redemption shall state that such redemption may be rescinded by the Agency. Any such notice of optional redemption shall be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Housing Series 2010 Bonds then called for redemption, and such cancellation shall not constitute a default under the Agreement. The Fiscal Agent shall mail notice of rescission of redemption in the same manner notice of redemption was originally provided.

Effect of Redemption. After the date filed for redemption, notice of such redemption shall have been duly given and funds available for the payment of such redemption price of the Housing Series 2010 Bonds or portions thereof so called for redemption shall have been duly provided as set forth in the Agreement, no interest shall accrue on the Housing Series 2010 Bonds or portions thereof after the redemption date specified in such notice and said Bonds shall cease to be entitled to any lien, benefit or security under the Agreement, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Defeasance. For a description of procedures and requirements for discharging the Housing Series 2010 Bonds and the Agreement, see APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Discharge of Indebtedness."

Book-Entry Only System

The Housing Series 2010 Bonds will be available in book entry form only. DTC will act as securities depository for the Housing Series 2010 Bonds. The Housing Series 2010 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Payments of principal, premium, if any, and interest on the Housing Series 2010 Bonds will be paid by the Fiscal Agent to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Housing Series 2010 Bonds. See APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM." So long as Cede & Co. is the registered owner of the Housing Series 2010 Bonds, references herein to the Bondholders or Registered Owners of the Housing Series 2010 Bonds mean Cede & Co. and not the beneficial owners of the Housing Series 2010 Bonds.

The Agency cannot and does not give any assurance that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the beneficial owners payments of principal of and interest and premium, if any, on the Housing Series 2010 Bonds or any redemption or other notices, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Agency is not responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant to make any payments or give any notice to a beneficial owner with respect to the Housing Series 2010 Bonds or any error or delay relating thereto.

AGGREGATE DEBT SERVICE

The table below sets forth the debt service associated with the Housing Series 2010 Bonds and the aggregate annual scheduled debt service on the other outstanding Bonds:

AGGREGATE DEBT SERVICE FOR ALL PARITY OBLIGATIONS

Bond Year Ending August 1,	Other Bonds Debt Service[1]	Housing Series 2010A Principal	Housing Series 2010A Interest	Housing Series 2010B Principal	Housing Series 2010B Interest	Total Debt Service
2010						
2011						
2012						
2013						
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
Total						

[1] Includes debt service on the Agency's outstanding Housing Set-Aside Tax Allocation Bonds issued as Series 1997E, 2003J, 2003K, 2005A and 2005B.

SECURITY AND SOURCES OF PAYMENT FOR THE HOUSING SERIES 2010 BONDS

General

Tax Allocation Generally. The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established in the base year. Thereafter, except for any period during which the taxable valuation drops below the base year level, the taxing bodies receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (with the exception of taxes derived from increases in the tax rate imposed by taxing agencies to support new bonded indebtedness) are allocated to the redevelopment agency and may be pledged to the repayment of any indebtedness incurred in financing or refinancing redevelopment. Redevelopment agencies themselves have no authority to levy property taxes and must look exclusively to such allocation of taxes. The Agency's ability to collect tax increment under the Redevelopment Law is limited not only by the time limits on the repayment of debt, but also by the cap on total tax increment to be received from the Merged Project Area.

As provided in the redevelopment plans, as amended, of certain of the project areas composing the Merged Project Area (see "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Merged Area Redevelopment Project"), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670) and Section 16 of Article XVI of the California Constitution, taxes (other than taxes imposed by taxing agencies for the purpose of paying for bonded indebtedness approved by the voters after January 1, 1989) levied upon taxable property in the Merged Project Area each year by or for the benefit of the State of California and any city, county, city and county or other public corporation for fiscal years beginning after the effective dates of each of the respective redevelopment projects, are divided for each project area as follows:

(1) ***Taxing agencies***: The portion equal to the amount of those taxes that have been produced by the current tax rate, applied to the taxable valuation of such property in the redevelopment project area as last equalized prior to the establishment of the redevelopment project, or base roll, is paid into the funds of those respective taxing agencies as taxes by or for said taxing agencies; and

(2) ***The Agency***: The portion of said levied taxes each year in excess of the amount referred to in (1) above is allocated to, and when collected, is paid into the Special Fund of the Agency. Such excess is referred to as "Gross Tax Allocations."

Section 33677 of the Redevelopment Law provides that the calculation of the amount of tax revenues will be made separately for each of the project areas composing the Merged Project Area. As a result, a reduction in assessed value of property within any project area below the base year value for that project area will not cause a reduction in the tax revenues eligible for allocation to the Agency from any of the other project areas.

Housing Set-Aside. The Redevelopment Law requires that, unless a specified finding is made, redevelopment agencies set aside at least 20% of all Gross Tax Allocations derived from redevelopment project areas into a Low and Moderate Income Housing Fund, to be used for the purpose of increasing, improving and preserving the supply of very low, low and moderate income housing. Section 33487 of the Redevelopment Law establishes the low and moderate income housing set aside requirement for merged project areas, and thus governs the Merged Project Area. Pursuant to Section 33487, the Agency sets aside 20% of its Gross Tax Allocations for very low, low and moderate income housing purposes within the City. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Historic Assessed Value and Housing Set-Aside Amounts."

As the Housing Series 2010 Bonds are secured and payable solely from the Housing Set-Aside Amounts and are NOT secured and payable from the remaining 80% portion (the "80% Portion") of Gross Tax Allocation, the information presented in this Official Statement regarding the Agency and Tax Increment Revenues (i) has been limited to information deemed relevant to the Housing Set-Aside Amounts and (ii) does NOT include certain information relating to the 80% Portion because such information is not relevant to the Housing Series 2010 Bonds.

Pledge of Housing Set-Aside Amounts

The Housing Series 2010 Bonds are secured by a first lien on and pledge of revenues, consisting of (i) Housing Set-Aside Amounts and (ii) any moneys deposited and held from time to time by the Fiscal Agent under the Agreement, except as provided therein. Pursuant to the Agreement, all right, title and interest of the Agency in Housing Set-Aside Amounts payable to or receivable by the Agency are irrevocably pledged to secure the payment of principal of and interest on the Housing Series 2010 Bonds. The Agreement defines "Housing Set-Aside Amounts" as that portion of Tax Increment Revenues required to be Set-Aside and deposited in the Low and Moderate Income Housing Fund pursuant to Sections 33334.2, 33334.6 or 33487 of the Redevelopment Law, but not to exceed 20% of Tax Increment Revenues. "Tax Increment Revenues" is defined as the Gross Tax Allocations for the Merged Project Area, plus all payments and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations.

In the event of an amendment or revision to the Redevelopment Law that would allow the Agency to set aside less than the Housing Set-Aside Amounts required to be set aside as of the date of execution of the Agreement, the Agency has covenanted that it will continue to set aside a sufficient amount of Tax Increment Revenues to pay the Annual Debt Service on the Housing Series 2010 Bonds and Parity Obligations and to make deposits to the Reserve Account as required by the Agreement. Such Tax Increment Revenues required to be so deposited shall be deemed to be Housing Set-Aside Amounts under the Agreement and shall be subject to the lien and pledged under the Agreement.

The Housing Series 2010 Bonds are special obligations of the Agency secured by an irrevocable pledge of, and payable as to principal, premium, if any, and interest solely from Housing Set-Aside Amounts described herein and other funds held under the Agreement. All of the Housing Series 2010 Bonds are equally secured by a pledge of and charge and lien

upon, all of the Housing Set-Aside Amounts, and the Housing Set-Aside Amounts constitute a trust fund for the security and payment of the interest on, the principal of and premium, if any, of the Housing Series 2010 Bonds and any other parity obligations issued by the Agency in accordance with the Agreement. The principal amount of the Housing Series 2010 Bonds, the interest thereon and any premiums payable upon the redemption or purchase thereof, is not a debt of the City, the state of California (the "State") or any of its political subdivisions other than the Agency, and neither the City, the State nor any of its political subdivisions other than the Agency is liable thereon, nor in any event shall the principal of, premium, if any, or interest on the Housing Series 2010 Bonds be payable out of any funds or properties other than the Housing Set-Aside Amounts of the Agency as set forth in the Agreement. Neither the members of the Agency nor any persons executing the Housing Series 2010 Bonds are liable personally on the Housing Series 2010 Bonds by reason of their issuance.

Pursuant to the terms of the Agreement, if during any Bond Year (i) all deposits required to be made with respect to such Bond Year to fund the interest and principal accounts pursuant to the Agreement have been made, (ii) the amounts on deposit in the Reserve Account equal or exceed the Reserve Requirement, (iii) any Qualified Surety Bonds used to fund the Reserve Account are fully replenished and all interest on amounts advanced under such Qualified Surety Bonds has been paid to the provider thereof, and (iv) the Agency is not in default under the Agreement, then the City, at the direction of the Agency, may cease its deposit of any additional Housing Set-Aside Amounts until commencement of the next Bond Year and any moneys then on deposit in the Housing Special Fund may be used in any manner provided by law for the purpose of aiding in financing the Housing Project, including early redemption or purchase of the Housing Series 2010 Bonds and Parity Obligations, as provided in the Agreement and permitted by the Redevelopment Law.

Reserve Account

The Agreement creates a Reserve Account for the benefit on a parity basis of all Parity Obligations (*i.e.* the Series 2010 Bonds and the other outstanding series of Bonds). Upon delivery of the Series 2010 Bonds, $__________ from the proceeds of the Series 2010 Bonds will be deposited in the Reserve Account for the benefit of all outstanding series of Bonds. Upon such date, this cash deposit will be the only cash (or Investment Securities) on deposit in the Reserve Account for all Parity Obligations. As explained further below, the Reserve Account contains various surety bonds and insurance policies whose providers have been downgraded or are otherwise significantly impaired.

The Agreement provides that the Reserve Account is required to be funded with cash, Investment Securities or financial instruments in an amount equal to the Reserve Requirement. The "Reserve Requirement" is defined under the Agreement as the Maximum Annual Debt Service with respect to the Series 2010 Bonds and other Parity Obligations from the date of such determination through the maturity date of all of the Series 2010 Bonds and Parity Obligations that are then outstanding. Moneys in the Reserve Account are available for transfer to the Interest Accounts and Principal Accounts on a pro rata parity basis for all Parity Obligations to the extent Housing Set-Aside Amounts are insufficient for the payments due on the Bonds. The Reserve Requirement for the Series 2010 Bonds and other Parity Obligations at the time of delivery of the Series 2010 Bonds will be $__________. See APPENDIX B – "SUMMARY OF

CERTAIN PROVISIONS OF THE AGREEMENT – Housing Special Fund; Establishment and Maintenance of Accounts for Use of Moneys in the Housing Special Fund."

The Agreement provides that in lieu of funding the Reserve Account with cash or Investment Securities, the Agency, at its option, may fund all or any portion of the Reserve Requirement by providing to the Fiscal Agent (a) an irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long term uncollateralized debt obligations are rated in one of the three highest rating categories by each Rating Agency then rating the Bonds, or if the Bonds are not then rated, by any Rating Agency or (b) a Qualified Surety Bond approved in writing by the Rating Agency then rating the Bonds. Under the Agreement, the Agency is not required to replace such letter of credit or Qualified Surety Bond with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn or any such instrument ceases to be in effect.

The following table sets forth certain information with respect to the surety bonds and insurance policies (the "Surety Bonds") issued for the benefit of the Reserve Account in connection with the outstanding prior series of Bonds. Each Surety Bond states that it secures only the related series of Bonds and no other series of Bonds. [subject to further revision]

Series of Bonds	Surety Issuer	Stated Amount
Series 1997E	National Public Finance Guarantee Corporation(1)	$3,884,695
Series 2003J & Series 2003K	Syncora Guarantee Inc. (2)	6,176,891
Series 2005A & Series 2005B	FGIC(3)	10,942,363

(1) Formerly known as MBIA Insurance Corporation.
(2) Formerly known as XL Capital Assurance Inc.
(3) [Certain of FGIC's policies, including the surety policy for the Series 2005A and 2005B Bonds have been reinsured by MBIA Insurance Corporation, now known as National Public Finance Guarantee Corporation ("National")].

The rating agencies have downgraded or withdrawn the ratings on the claims-paying ability and financial strength of most of the nation's bond insurance companies, including the providers of the Surety Bonds shown in the table above. [Further, Syncora Guarantee Inc. and FGIC are under regulatory supervision and have announced that they are not currently honoring claims (although FGIC's announcement has not affected National's reinsurance obligation or reinsured FGIC policies and surety bonds).] Further deterioration in the financial condition of the providers of the Surety Bonds or a failure to honor a draw by any of these providers under its Surety Bond could occur. As stated above, under the Agreement, the Agency is not required to replace a Surety Bond with cash or a replacement instrument in the event the ratings of its provider decline or are withdrawn. Additionally, under the Agreement, the Agency is not required to replace a Surety Bond with cash or a replacement instrument if such instrument ceases to be in effect or a draw thereunder is not honored. The Agency currently has no plans to replace such Surety Bonds with other surety bonds or cash.

Issuance of Parity Obligations

The Agreement provides that the Agency may issue Parity Obligations secured on a parity with the Housing Series 2010 Bonds if, among other conditions, the Agency delivers to the Fiscal Agent a certificate showing (i) Maximum Annual Debt Service with respect to the Housing Series 2010 Bonds reasonably expected to be Outstanding, including the Parity Obligations then being delivered; (ii) for the then current Bond Year, the Housing Set-Aside Amounts to be received by the Agency based upon the most recent taxable valuation of property in the Merged Project Area provided by the appropriate officer of the County of Santa Clara (the "County"), plus supplemental assessments for projects that have been completed and will be reflected on the tax roll for the next succeeding Bond Year and projects the ownership of which has changed, all as confirmed by the appropriate officer of the County; and (iii) that Housing Set-Aside Amounts referred to in clause (ii) above, are at least 1.15 times the Maximum Annual Debt Service referred to in clause (i). See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Issuance of Parity Obligations" for a description of the conditions precedent to issuing Parity Obligations.

FACTORS AFFECTING TAX ALLOCATION FINANCING

Property Tax Collection Procedures

Classifications. In California, 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 (cities, school districts and special districts) that share in the *ad valorem* tax (each a taxing entity) and redevelopment agencies eligible to receive Tax Increment Revenues.

Collections. Secured and unsecured property are entered on separate parts of 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 three ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; and (3) seizure and sale of the personal property, improvement 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 property securing the taxes to the State 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.

Delinquencies. The valuation of property is determined as of the January 1 lien date as equalized in August of each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County currently allocates property taxes to the Agency pursuant to the Teeter Plan, which means that the Agency receives its tax increment share based on 100% of the tax levy, notwithstanding any delinquencies. However, California law relating to the Teeter Plan permits the County to discontinue this practice and accordingly, there can be no assurance that the County will continue such practice.

Supplemental Assessments. A bill enacted in 1983, Senate Bill ("SB") 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property upon the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments. As enacted, Chapter 498 allows for increased revenue to redevelopment agencies 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, as equalized in August. To the extent such supplemental assessments occur within the Merged Project Area, Agency Tax Increment Revenues may increase. The Auditor-Controller's practice is to adjust supplemental property tax revenues for roll corrections, including assessment appeal refunds. The Auditor-Controller's practices with respect to roll corrections, including assessment appeal refunds, could change. See APPENDIX D – "REPORT OF FISCAL CONSULTANT – The Allocation of Tax Increment Revenues to the Agency."

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Statutes of 1990, Chapter 466) which allows counties to charge fees to local jurisdictions (including redevelopment agencies) for the cost of preparing and overseeing the tax roll. For Fiscal Year 2009-10 the estimated administrative fees being charged to the Agency by the County for such services is $1.7 million, which is approximately 0.85% of the total Gross Tax Allocations for the Merged Project Area. These fees are not payable from and do not reduce the Housing Set-Aside Amounts pledged to the payment of the Housing Series 2010 Bonds.

Statutory Pass Through Payments. Assembly Bill ("AB") 1290 required the Agency to adopt a number of time limits for collection of Tax Increment Revenues and incurring debt. Pursuant to subsequent legislation (SB 211) amending AB 1290, the Agency extended the time limit on debt incurrence (see "Redevelopment Time Limits" below) and thereby triggered statutory tax sharing, commencing with Fiscal Year 2002-03, with those taxing entities that do not have tax sharing agreements with the Agency. As the County is the only taxing entity that has a tax sharing agreement with the Agency, all of the Agency's tax sharing entities except the County receive statutory pass through payments. Because the Housing Set-Aside Amounts are not reduced by statutory or other pass through payments nor available to make such pass through payments (such payments are made from the 80% portion of Tax Increment Revenues), the amount of Housing Set-Aside Amounts available for the Housing Series 2010 Bonds should not be affected by statutory or other pass through payments.

Filing of Statement of Indebtedness. Under the Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Merged Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of Tax Increment Revenue that will be paid to the Agency in each fiscal year. Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Housing Series 2010 Bonds and all Parity Obligations) (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year. "Available revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both Tax Increment Revenues and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year.

The County may pay Tax Increment Revenue to the Agency in any fiscal year only to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness. The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County may dispute the statement of indebtedness in certain cases within certain time limits established under State law. Any such dispute may be adjudicated in court, but only the amount of the Debt – not its validity (or any related contract or expenditures) – may be contested. No challenge can be made to payments to a trustee or fiscal agent in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or a bond issue.

Property Tax Limitations: Article XIIIA of the California Constitution

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax roll 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data (the inflation rate may be negative under certain circumstances; see "Proposition 13 Annual Adjustment" below), or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and 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.

Both the United States Supreme Court and the California Supreme Court have upheld the validity of Article XIIIA. While it appears that the constitutional challenges to Article XIIIA are exhausted, the Agency cannot predict what impact any future developments might have on the Agency's receipt of Tax Increment Revenues.

In the general election of November 7, 1978, California voters approved an amendment to Article XIIIA commonly known as Proposition 8 ("Proposition 8"). Proposition 13 did not allow the assessor to reduce the assessed value of property whose value has declined while owned by the same taxpayer. Proposition 8, among other things, generally allows the assessor to reduce the value of a property that has been substantially damaged, destroyed, or whose value has been reduced by other factors such as economic conditions. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Assessment Appeals and Assessor Reductions" and "SPECIAL RISK FACTORS – Assessment Appeals and Assessor Reductions to Assessed Value" herein.

In the general election held on November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIIIA. Proposition 58 amended Article XIIIA to provide that the terms "purchase" and "change of ownership," for the purposes of determining full cash value of property under Article XIIIA, 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.

Proposition 60 amended Article XIIIA to permit the 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.

Legislation enacted by the Legislature to implement Article XIIIA 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.

Proposition 13 Annual Adjustment

Article XIIIA of the California Constitution provides that the assessed value of real property 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 ("CPI") or comparable local data. Such measure is computed on a calendar year basis. The inflation rate applicable to the assessment roll in Fiscal Year 2004-05 was 1.867%, and the rate for Fiscal Years 2005-06, 2006-07, 2007-08 and 2008-09 was 2.0%. The State Board of Equalization has announced that it has set an adjustment of negative 0.237% for property assessments made in Fiscal Year 2009-10, which apply to property tax bills due in December

2010 and April 2011. See APPENDIX D – "REPORT OF FISCAL CONSULTANT – Proposition 13 Adjustment and 2010-11 Roll Valuations."

Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIIIB to the California Constitution. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State 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 starting point for establishing such appropriation limit is Fiscal Year 1978-79 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.

Appropriations subject to Article XIIIB include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB or any statutory provision enacted in implementation thereof.

The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Redevelopment Agency v. Woosely* and *Brown v. the Redevelopment Agency of the City of Santa Ana*.

Articles XIIIC and XIIID of the California Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIIIC and XIIID to the California Constitution. Provisions in the two articles affect the ability of local governments to raise revenues. The Housing Series 2010 Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218.

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 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, such bonded indebtedness approved prior to January 1, 1989 will continue to provide tax overrides to the Agency so long as such indebtedness remains outstanding. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Tax Rates."

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.

AB 2670 (Statutes of 2006, Chapter 791) included unitary property owned by railroads in the State-assessed properties consolidated into a single tax rate in each county. Beginning with Fiscal Year 2007-08, the legislation also excluded redevelopment agencies from receiving property tax revenues from unitary railroad property.

The Agency's collection of Tax Increment Revenue from State-assessed property for Fiscal Year 2008-09 was approximately $2.7 million. The Agency is estimating approximately $2.7 million in unitary taxes in Fiscal Year 2009-10.

Tax Increment Revenue Limitation

The Agency was required in 1986 to adopt a limit on the amount of Tax Increment Revenue the Agency may receive with respect to the Merged Project Area. The maximum amount of Tax Increment Revenue the Agency may receive from the Merged Project Area was set at $15 billion in May 2009. Based on Agency records, as of June 30, 2009, the Agency has received approximately $2.7 billion of Tax Increment Revenue from the Merged Project Area.

SB 1045 (Statutes of 2003, Chapter 260), effective September 1, 2003 provides, among other things, that, for the purpose of determining whether the limit on the Tax Increment Revenue that may be allocated to the Agency has been reached, the aggregate amount of payments made by the Agency to the Educational Revenue Anticipation Fund ("ERAF") in prior fiscal years from Tax Increment Revenue may be deducted from the amount of Tax Increment Revenue deemed to have been received by the Agency. The cumulative tax increment amount of

$2.7 billion reflects a deduction of approximately $48 million from the Tax Increment Revenue limit, representing ERAF payments made by the Agency from Fiscal Year 2002-03 through Fiscal Year 2005-06. In April 2009, a superior court ruled that the ERAF requirement under AB 1389 (which was part of the State's Fiscal Year 2008-09 budget package) diverting redevelopment funds to the State, was unconstitutional. The State subsequently dropped an appeal of that ruling. See "– Educational Revenue Anticipation Fund Transfers" herein.

The Fiscal Consultant projects that, with an annual rate growth in the Merged Project Area assessed value of 8.0% or greater, the Agency tax increment cap could be reached prior to the final maturity of the Housing Series 2010 Bonds. From Fiscal Year 1995-96 through Fiscal Year 2009-10, the annual average growth in the Merged Project Area assessed value has been 8.1%. See "SPECIAL RISK FACTORS – Tax Increment Revenue Limitation" and APPENDIX D – "REPORT OF FISCAL CONSULTANT."

Pursuant to the Agreement, the Agency covenants to periodically review its Redevelopment Plan limits to enable the Agency to pay the principal of and interest and premium (if any) on the Bonds (including the Housing Series 2010 Bonds) when due. If such review indicates that the cap will be reached prior to the final maturity of the Housing Series 2010 Bonds, the Agency is required to take certain measures intended to enable the Agency to pay debt service on the Housing Series 2010 Bonds. See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Certain Other Covenants of the Agency."

Redevelopment Time Limits

In 1993, the State Legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: (1) the last date to incur debt for a redevelopment project; (2) the last date to undertake redevelopment activity within a project area; and (3) the last date to collect Tax Increment Revenue from a project area to repay debt. Pursuant to AB 1290, which took effect January 1, 1994, the San José City Council adopted ordinances amending each redevelopment plan in the Merged Project Area to impose limits on plan activity in each area, as well as a date past which Tax Increment Revenue could not be collected.

In 2001, the California Legislature enacted SB 211 (Statutes of 2001, Chapter 741), effective January 1, 2002, which authorized, among other things, the deletion by ordinance of the legislative body of the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. On November 5, 2002, the City Council adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Agency's authority to incur loans, advances and indebtedness with respect to the Merged Project Area for redevelopment plans adopted prior to January 1, 1994.

SB 1045 (Statutes of 2003, Chapter 260) permits the redevelopment plan to be amended to add one year to the duration of the plan and to the period for collection of Tax Increment Revenues and the repayment of debt. On November 18, 2003, the San José City Council adopted an ordinance amending each of the redevelopment plans within the Merged Project Area to add one year to each of the redevelopment plans' effectiveness dates and tax increment collection dates.

SB 1096 (Statues of 2004, Chapter 211) permits redevelopment agencies to extend their ability to collect tax increment in certain project areas by one year for each ERAF payment made in Fiscal Years 2004-05 and 2005-06. The extensions apply by right to plans with existing limits on the effectiveness of the plan that are less than 10 years from the last day of the fiscal year in which the ERAF payment is made. Plans that have effective dates expiring between 10 and 20 years from the last day of the fiscal year of the ERAF payment may also be extended by one year, but only if certain findings are made by the City Council. Those findings are: (1) compliance with the 20% Housing Set-Aside requirements; (2) compliance with the Implementation Plan requirements of the Redevelopment Law; (3) compliance with the inclusionary housing and replacement housing requirements of the Redevelopment Law; and (4) that the Agency is not subject to sanctions for having an excess surplus in the 20% Housing Set-Aside Fund. All Agency tax increment producing plans, with the exception of Almaden Gateway and Monterey Corridor, were extended pursuant to SB1096. See Table 1 below under "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Merged Area Redevelopment Project."

AB 26x4, passed by the State Legislature during the Fiscal Year 2009-10 State budget process, included a requirement that agencies make payments by May 10, 2010 and May 10, 2011 to a Supplemental ERAF account ("SERAF"). Agencies that are able to make the SERAF payments may extend the life of their project areas. Lawsuits have been filed challenging the legality of the SERAF requirement under AB 26x4 and the extension of the life of the project areas. The Fiscal Consultant's report does not take into consideration the plan extensions or tax increment cap credits from the Fiscal Year 2009-10 and Fiscal Year 2010-11 SERAF payments. See "– Educational Revenue Augmentation Fund Transfers."

The time limits apply individually to each plan within the Merged Project Area, as well as individually to specific territory added by amendments to redevelopment plans. See Table 1 below under "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Merged Area Redevelopment Project" and APPENDIX D – "REPORT OF FISCAL CONSULTANT" for information on Tax Increment Revenue collection termination dates.

Educational Revenue Augmentation Fund Transfers

In recent years, the State Legislature has enacted legislation that has reallocated property taxes from local governments to the State and/or to Schools through the Education Revenue Augmentation Fund ("ERAF").

In approving the budget for Fiscal Year 2003-04, the Legislature fixed the aggregate ERAF transfer for the year at $135 million, of which the Agency paid approximately $10.1 million as its allocated share. In connection with its approval of the budget for Fiscal Year 2004-05, the Legislature fixed the ERAF transfer at $250 million each for Fiscal Years 2004-05 and 2005-06. The Agency's required payment for Fiscal Year 2004-05 and 2005-06 was approximately $18.6 million and $14.5 million, respectively. As part of this legislation, the Legislature also authorized redevelopment agencies to extend the effective dates of their redevelopment plans. These transfers were not payable from Housing Set-Aside Amounts. The amounts paid into ERAF were deducted from the cumulative Tax Increment Revenue receipts applied to the tax increment cap. See "– Tax Increment Revenue Limitations" and "– Redevelopment Time Limits" above.

As part of the Fiscal Year 2008-09 State budget package, the Legislature passed AB 1389, requiring redevelopment agencies to divert $350 million of redevelopment funds for State purposes through ERAF. A lawsuit was filed by the California Redevelopment Association in December 2008, challenging the constitutionality of the ERAF payment requirements of AB 1389. In April 2009, the courts ruled that AB 1389 was unconstitutional, and the State subsequently dropped an appeal of the decision. Accordingly, the ERAF transfers were not made.

As part of the Fiscal Year 2009-10 State budget package, AB 26x4 requires redevelopment agencies to make payments totaling $1.7 billion (by May 10, 2010) and $350 million (by May 10, 2011) to K–12 school districts serving students living in or near their redevelopment areas. Redevelopment agencies deposit these payments into a Supplemental ERAF ("SERAF") for allocation to the designated school districts. The Agency's SERAF payments will be $62.2 million for Fiscal Year 2009-10 and are estimated to be $12.8 million for Fiscal Year 2010-11. The final payment amount for Fiscal Year 2010-11 will be calculated by the State Department of Finance by November 15, 2010.

Agencies that do not make their SERAF payments are subject to sanctions including prohibitions on incurring additional debt and adding or expanding project areas, limitations on the encumbrance and expenditure of funds, and an increase in the percentage of tax increment required to be paid into the Low and Moderate Income Housing Fund from to 20% to 25% for the remaining life of the project areas. Agencies may borrow from the Low and Moderate Income Housing Fund and apply those funds to the SERAF payment, provided that they repay those funds by June 30, 2015 or June 30, 2016, as applicable. Agencies that do not repay the Housing Fund by that date are required to increase their contribution to the Low and Moderate Income Housing Fund to 25% until the end of the term of the project area. The Agency currently plans to meet its Fiscal Year 2009-10 and Fiscal Year 2010-11 SERAF obligations using a variety of available sources, including available tax increment, funds borrowed from available amounts in the Housing Fund and other funds borrowed from the City of San Jose.

The California Redevelopment Association has filed a lawsuit challenging the constitutionality of AB 26x4. The Agency cannot predict the outcome of this or any similar or related lawsuit that may be filed regarding AB 26x4, or its impact on the Agency's obligation to pay the SERAF payment.

AB 26x4 provides that under certain circumstances, Agencies making the SERAF payment may extend the life of their project areas and deduct certain expenditures from tax increment caps. In July 2009, the County of Los Angeles announced its intention to file a lawsuit against the State should the State proceed with its plan to extend redevelopment projects and implement certain other measures impacting the County of Los Angeles in order to close the State's budget gap. See "SPECIAL RISK FACTORS – Educational Revenue Augmentation Fund Transfers" herein. The Fiscal Consultant's report does not take into consideration the plan extensions or tax increment cap credits from the Fiscal Year 2009-10 and Fiscal Year 2010-11 SERAF payments.

SB 68 (Statutes of 2009, Chapter 652), enacted as an urgency statute in November 2009, amends certain provisions of AB 26x4. SB 68 authorizes a redevelopment agency, in order to make the required allocation to the county SERAF, to borrow moneys in the Low and Moderate Income Housing Fund (not just current year Housing Set-Aside Amounts).

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

The City and the Agency

The City of San José (the "City") covers nearly 178 square miles and is the county seat of Santa Clara County. The City has a population of 1,006,892 estimated by the California Department of Finance as of January 1, 2009, and is the nation's 10th largest city and California's third largest city (after Los Angeles and San Diego). The City is at the southern end of San Francisco Bay (see "REGIONAL MAP").

Having originated as a Spanish pueblo established in 1777, the City is the oldest city in California. From a former rich agricultural setting, San José has become the capital of the innovative, high technology based Silicon Valley – so named for the principal material used in producing semiconductors. During the 1980's and 1990's, the City experienced an economic resurgence with expansion in manufacturing, service, retail and tourist industries. However, beginning in the early 2000s, the retraction in the telecommunications and technology industries and the more recent national economic slowdown have negatively impacted economic activity in the City.

Established in 1956 under State law, the Agency is one of the largest redevelopment agencies in the State, both in terms of project area size and in Tax Increment Revenue generated. The City Council serves as the Agency's governing board, with the Mayor as Chair.

Agency Powers and Duties

All powers of the Agency are vested in its eleven members. The Agency exercises all of the governmental functions authorized under the Redevelopment Law and has, among other powers, the authority to acquire, administer, develop and sell or lease property, including the right of eminent domain, and the right to issue bonds and expend the proceeds. The Agency can clear buildings and other improvements, can develop as a building site any real property owned or acquired, and in connection with such development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Agency Financial Statements

The Agency's Audited Financial Statements for Fiscal Year 2008-09 attached as APPENDIX C to this Official Statement have been audited by Macias, Gini & O'Connell LLP, independent auditors. Macias, Gini & O'Connell LLP has not been requested to consent to the use or to the inclusion of its report in this Official Statement and has not reviewed this Official Statement.

Fiscal Consultant's Report

In connection with the issuance of the Housing Series 2010 Bonds, the Agency has engaged Urban Analytics, LLC (the "Fiscal Consultant"), San Francisco, California to prepare a Fiscal Consultant Report dated __________, 2010. See APPENDIX D – "REPORT OF FISCAL CONSULTANT."

Agency Employees and Benefits

The Agency currently has ____ employees and reimburses the City for certain employee and administrative costs related to redevelopment activities. In January 1995, the Agency adopted a defined contribution retirement plan (the "Plan"), which provides pension benefits for its employees. For eligible employees who contribute 3.5% of their annual base salary, the Agency contributes approximately 9.0%. Agency contributions are based on a formula taking into account employee annual base salary and length of service. For Fiscal Year 2008-09, the total payroll for the Agency's direct employees was $9,450,865. The Agency and the participating employees made contributions to the Plan amounting to $847,063 and $323,032, respectively. For additional information on the Plan, see APPENDIX C – "AUDITED FINANCIAL STATEMENTS OF THE AGENCY FOR FISCAL YEAR ENDED JUNE 30, 2009 – Note IIIB" attached hereto. The Housing Set-Aside Amounts generally are not available for salaries or benefits of Agency employees, but rather Housing Set-Aside Amounts remaining after debt service are transferred to the City of San José Department of Housing. See "Cooperation Agreement" and "City of San José Department of Housing" below.

Cooperation Agreement

Pursuant to the Redevelopment Law, Housing Set-Aside Amounts must be utilized to increase, improve and/or preserve the supply of low and moderate income housing (the "20% Housing Program"). In order to provide for unified administration of various housing programs within the City, the Agency delegated to the City its obligation and authority to administer the 20% Housing Program and to distribute Housing Set-Aside Amounts, pursuant to a cooperation agreement entered into in 1987, which agreement is currently embodied in the Cooperation Agreement dated as of September 28, 1990, as amended (the "Cooperation Agreement"). This delegation of authority includes the obligations to adopt or amend, from time to time, any 20% Housing Program policies, guidelines or procedures, consistent with the requirements of the Redevelopment Law, as may be necessary or convenient to achieve the ultimate purposes of the 20% Housing Program. The delegation also includes the authority to take any action or make any findings on behalf of the Agency with regard to the administration of the 20% Housing Program as required or permitted by law; provided, however, that the Agency has retained the authority to issue or to approve the issuance of any bonds or other indebtedness secured by Housing Set-Aside Amounts and the right to withhold Housing Set-Aside Amounts in order to pay debt service on such indebtedness.

City of San José Department of Housing

The City of San José Department of Housing (the "Department") was established in 1988 and was charged with the mission of preserving and improving the City's supply of decent, safe and sanitary housing affordable to low and moderate income households and, where appropriate, to ensure the long term affordability of such housing and contribute to neighborhood revitalization. The Department was also given the responsibility to carry out the authority delegated under the Cooperation Agreement.

Leveraging funds from a variety of federal, State, local and private sources, the Department administers a variety of affordable housing programs to achieve City housing goals. First, it implements a number of direct assistance programs, all designed to increase and preserve the supply of decent, safe and sanitary housing affordable to low and moderate income households. These programs include rehabilitation of owner occupied and rental properties, predevelopment assistance, property acquisition, new construction financing and second mortgage loans to qualified homebuyers. Secondly, the Department provides indirect support to affordable housing in San José with programs including the asset management, grant administration programs and the policy and planning program.

Housing Set-Aside Amounts that remain after debt service are a principal revenue source for the Department's budget. The Department currently has ____ employees and for Fiscal Year 2009-10 has a budget of approximately $____ million.

Merged Area Redevelopment Project

Table 1 below sets forth the 16 existing project areas that generate Tax Increment Revenue within the Merged Project Area and the Tax Increment Revenue for Fiscal Year 2009-10, the approximate size of each project area, and the last date on which the Agency can repay debt from Tax Increment Revenue generated by each project area. The Agency's bond issues have been structured to take these termination dates into account.

The Agency has several other sub-areas that do not generate tax increment but have been established to allow for the expenditure of tax increment funds in those areas. The Strong Neighborhoods Initiative Project Area, which has been a non-tax increment generating part of the Merged Project Area, was recently amended to allow for the collection of tax increment from the Diridon sub-area. As tax increment is generated from the Diridon sub-area it will be available to pay debt service on the Bonds. See "Strong Neighborhoods Initiative" herein.

Due to the varying final dates to collect tax increment in each component of the Merged Project Area, the nature and diversity of tax revenues change significantly prior to the final maturity of bonds. As each component of the Merged Project Area reaches its Redevelopment Plan limit, the remaining Merged Project Area acreage and number of taxpayers decrease. Consequently, taxpayer concentration and land use concentration may change.

Table 1
REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE
MERGED PROJECT AREA REDEVELOPMENT PROJECT
Project Area Acreage, Key Dates and Revenue By Sub Area[(1)]

Sub-Area	Acreage	Plan Adoption Date	Plan Termination Date, With Extensions	Last Date to Repay Debt, With Extensions	2009-10 Housing Fund Tax Increment[(2)]	% of Total HFTI
Park Center Plaza	61	7/24/1961	1/1/2012	1/1/2022	$1,457,560	3.6%
San Antonio Plaza	50	1/3/1968	1/1/2012	1/1/2022	1,129,175	2.8
Rincon Original	1,872	7/16/1974	7/16/2017	7/16/2027	6,760,489	16.9
Pueblo Uno	12	7/8/1975	7/8/2018	7/8/2028	397,107	1.0
Edenvale	1,050	7/15/1976	7/15/2019	7/15/2029	2,762,771	6.9
Julian Stockton	330	7/15/1976	7/15/2019	7/15/2029	1,426,600	3.6
Olinder	158	7/15/1976	7/15/2019	7/15/2029	482,702	1.2
Rincon Expansion	1,224	7/3/1979	7/3/2022	7/3/2032	8,821,182	22.0
Edenvale East	995	9/1/1981	9/1/2024	9/1/2034	1,893,308	4.7
Rincon North[(3)]	1,699	6/8/1982	6/8/2025	6/8/2035	8,851,623	22.1
Rincon South[(3)]	-	6/8/1982	6/8/2025	6/8/2035	3,319,015	8.3
Guadalupe Auzerais	73	5/19/1983	5/19/2026	5/19/2036	1,009,442	2.5
Century Center	18	11/8/1983	11/8/2026	11/8/2036	376,331	0.9
Market Gateway	32	11/8/1983	11/8/2026	11/8/2036	308,737	0.8
Almaden Gateway	21	4/7/1988	4/7/2029	4/7/2039	565,823	1.4
Monterey Corridor	515	12/13/1994	12/13/2026	12/13/2041	493,139	1.2
	8,110				$40,055,002	100%

(1) Table does not include project areas that do not generate tax increment. The Strong Neighborhoods Initiative Project Area was recently amended to allow for the collection of tax increment in the Diridon Area; the remainder of the Strong Neighborhoods Initiative Project Area does not generate tax increment.
(2) Tax Increment to the Housing Fund, including unitary revenue (estimated).
(3) Acreage combined for Rincon South/Rincon North.
Source: The Agency

The Agency's project areas can be grouped into four categories: Downtown, Neighborhood Business Districts/Clusters, Industrial and Strong Neighborhoods Initiative. These categories are described below.

Downtown. Eight project areas form the 369 acre core of downtown San José, both geographically and culturally: Almaden Gateway, Pueblo Uno, Century Center, Park Center, San Antonio Plaza, Guadalupe Auzerais, Market Gateway and Civic Plaza (a non Tax Increment Revenue generating area formed in 1999).

Neighborhood Business Districts. The Agency started its Neighborhood Business District ("NBD") program in 1982 to revitalize older commercial areas that had become blighted. Six non Tax Increment Revenue generating NBDs have become project areas since 1988: East Santa Clara Street, Alum Rock Avenue, West San Carlos Street, The Alameda, Story Road and Japantown. These districts represent historically active commercial centers of the City, and all serve as gateways to downtown San José with the exception of Story Road, which supports major residential areas to the east and south of downtown.

In 2001, the Agency adopted the Neighborhood Business Clusters Redevelopment Project Area, which, like the NBD program, does not generate Tax Increment Revenue. This project area is comprised of six non contiguous business clusters located throughout the City, and they are referred to as Bascom Station, Fruitdale Station, Union and Foxworthy, Union and Camden, White and Quimby, and Monterey and Roeder.

Strong Neighborhoods Initiative. Historically, the Agency's primary redevelopment focus has been on downtown San José, major commercial corridors, and industrial areas. In recent years, Agency Board and public interest has been growing in the preservation and revitalization of the older residential neighborhoods in the City. The Strong Neighborhoods Initiative ("SNI") is a partnership of the City, the Agency and the community to revitalize and redevelop neighborhoods in a new project area (the "SNI Project Area") with public improvement projects such as streetscape improvements, traffic calming, transit and parking improvements and community based projects such as community centers, libraries, public schools, open space and recreational facilities. In total, the SNI Project Area encompasses approximately 9,865 acres and consists of [22] neighborhoods grouped within [six] non-contiguous sub areas. The SNI Project Area consists predominantly of residential land uses. The remainder of the SNI Project Area is developed with a mixture of commercial, industrial, public/quasi public, open space/recreation, agricultural and vacant land uses. The redevelopment plan for the SNI Redevelopment Project Area was adopted in June 2002.

On May 19, 2009, the SNI was amended to authorize the collection of tax increment from a small portion of the SNI Project Area designated as the Diridon Area. The Diridon Area is a ___-acre area just west of Downtown, south of the HP Pavilion and east of the Diridon train station. SNI is subject to a statutory limit of 45 years from the plan adoption date for the repayment of indebtedness.

Industrial. Five project areas are in this category:

Rincon de los Esteros has four components comprising a total of 4,795 acres and is zoned primarily for industrial park uses. Approximately [247] acres are currently undeveloped. Also known as the "Innovation Triangle," this area contains one of Silicon Valley's largest concentrations of businesses including research and development, office, manufacturing, light industrial, and warehouse uses. The Agency estimates that more than [1,200] businesses employing more than [60,000] people are located in the area. Major employers include [Cisco Systems, Agilent, Analog Devices, Brocade, Siemens, Novellus, Sony America, Cypress Semiconductors, eBay, BEA, Samsung, Sanmina, Canon, Philips Components, Atmel, Altera, Cadence Design and KLA Tencor]. The Agency has invested more than [$180] million since 1977 in infrastructure improvements in this industrial project area. The area is adjacent to the Norman Y. Mineta San José International Airport and is bounded by Routes 237, U.S. 101 and Interstate 880. It is served by the Light Rail Transit System and other public transportation facilities and is connected to the downtown by Route 87.

Edenvale has two components totaling 2,045 acres and is zoned primarily for light industrial uses, including research and development, office and manufacturing uses. Approximately 300 acres remain undeveloped. Located 10 miles south of downtown, it is currently home to approximately [300] firms employing approximately [15,000] people. Major employers include [Hitachi, IBM, IDT, Electroglas, Northrop Grumman, Solectron, M/A Com, Tyco Electronics, Clinimetrics, Power Integration, Stryker Endoscopy, Western Digital, Jabil Circuits, Helio Solutions and Ionics]. The Agency has invested nearly [$100] million in infrastructure improvements to prepare the area for industrial development. The widening of U.S. 101, the extension of light rail transit and the opening of Route 85 provide greater accessibility to the industrial park.

Julian-Stockton, in the older portion of the central business district at the northern entrance to the downtown area, is an area where current uses are primarily light manufacturing, warehousing, small office and commercial. The area is home to approximately [325] employers with approximately [3,450] employees. Three major public projects in this area include the HP Pavilion at San José, the Guadalupe Parkway (Route 87) and the Guadalupe River Park. Major employers in the area include [PG&E, Gandiff Industries, Fire Clay Tile, Comerica Bank, Aramark and Milligan News]. The Agency has invested nearly [$14] million in infrastructure improvements since 1977.

Olinder is an older light industrial area at the intersection of U.S. 101 and Route 280 just south of downtown. This area has approximately [83] employers with approximately [1,200] employees. Major employers include [Air Systems, Jennings Technology and Sal J. Acosta Sheetmetal]. The Agency has invested over [$1.5] million in infrastructure improvements in this project area.

Monterey Corridor was established in 1994. There are more than [286] employers with approximately [6,728] employees in the area. Major employers include [US Healthworks, Office Records Management, Simsmetal USA, Southern Lumber and San José Mailing]. The Agency has invested over [$14] million in infrastructure improvements in this project area.

Recent and Ongoing Development and Supplemental Assessments. The Agency has identified a number of projects that have been sold, newly built or are under construction in the Merged Project Area. Significant projects include a development by Brocade Communications System in the Rincon sub-area of the Merged Project Area, the occupancy of office buildings 488 Almaden Blvd and 300 Park Avenue in the ______ sub-area and construction of a 170,000 square foot data center owned by Equinix, Inc. in the Edenvale East sub-area. For more detailed additional information on this and other recent and ongoing developments within the Merged Project Area, see APPENDIX D – "REPORT OF FISCAL CONSULTANT – Additional Development and Supplemental Assessments."

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

General Overview Map

[Insert map here]

Land Use within the Merged Project Area

The following Table 2 sets forth the various land uses within the Merged Project Area by assessed valuation as of Fiscal Year 2009-10.

Table 2
LAND USE WITHIN THE MERGED PROJECT AREA

Land Use	Secured Assessed Valuation[1]	Pct of Total Assessed Valuation	Number of Parcels	Pct of Total Parcels
Industrial	$6,468,858,611	41.03%	1,068	15.4%
Commercial	5,145,530,647	32.64	846	12.2
Residential:				
Single-Family	178,191,235	1.13	480	6.92
Condo/Townhouse	1,225,286,787	7.77	2,931	42.28
Multi-Family, Other	1,452,575,216	9.21	873	12.59
Vacant	1,090,567,900	6.92	380	5.48
Other	200,137,982	1.27	333	4.80
Agricultural	4,543,093	0.03	21	0.30
Total	$15,765,691,471	100.00%	6,932	100.00%

(1) Assessed valuation includes homeowner's exemptions. Excluding homeowner's exemptions, the secured assessed valuation is $15,779,650,871.

Source: County of Santa Clara; Urban Analytics

Tax Rates

The difference between the actual tax rate and the 1.00% rate established by Article XIIIA of the California Constitution is attributable to the tax rates levied to service debt approved by the voters. Tax override rates are taken into account in determining the amount of Tax Increment Revenue allocable to the Agency only for obligations incurred prior to January 1, 1989. The estimated "tax override rate" for representative tax rate areas ("TRAs") for the past fiscal year is set forth in Table 3. TRAs shown in Table 3 have been selected by the Fiscal Consultant as representative of the tax rates prevailing in the areas comprising the Merged Project Area. The "tax override rates" shown in the table will continue so long as they are levied for the obligations supported by such tax override. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Proposition 87."

Table 3
TAX LEVIES IN REPRESENTATIVE TAX RATE AREAS
MERGED PROJECT AREA, FISCAL YEAR 2009-10
(Levies in Percentages)

Sub-Area	Tax Rate Area Code	Basic Levy	County Retirement Levy	Total Levy, All Rolls	Santa Clara Valley Water District[1]
Rincon	17-065	1.00000%	0.03880%	1.03880%	0.0074%
San Antonio Plaza	17-101	1.00000	0.03880	1.03880	0.0074
Edenvale	17-060	1.00000	0.03880	1.03880	0.0074
Olinder	17-029	1.00000	0.03880	1.03880	0.0074

(1) Santa Clara Valley Water District levy applies to land and improvements assessed value only.
Sources: Santa Clara County Controller; Urban Analytics, LLC.

Historic Assessed Value and Housing Set-Aside Amounts

Table 4 below sets forth historical information on assessed valuations in the Merged Project Area through Fiscal Year 2009-10. Table 5 sets forth information on Tax Increment Revenues and Housing Set-Aside Amounts for the Merged Project Area through Fiscal Year 2009-10.

Table 4
ACTUAL ASSESSED VALUATIONS IN THE MERGED PROJECT AREA
FROM FISCAL YEAR 2005-06 THROUGH FISCAL YEAR 2009-10

Roll	2005-06	2006-07	2007-08	2008-09	2009-10
Secured					
- Land	$4,200,831,658	$4,572,962,929	$5,004,001,559	$5,361,971,072	$5,670,580,499
- Improvements	6,376,896,317	6,846,884,969	8,205,148,576	9,143,154,593	9,577,422,428
- Personal Property	849,264,560	894,493,092	985,774,876	1,005,061,655	954,420,744
- Exemptions[1]	291,711,829	314,675,322	341,971,094	346,860,922	422,772,800
Secured Total	11,135,280,706	11,999,665,668	13,852,953,917	15,163,326,398	15,779,650,871
Unsecured					
- Land	44,770,604	41,526,471	42,831,852	49,682,652	51,434,580
- Improvements	875,610,352	805,273,362	924,021,403	1,129,778,764	1,080,030,444
- Personal Property	3,043,369,007	3,272,701,240	3,283,737,615	3,232,129,312	3,137,697,793
- Exemptions[1]	141,140,016	144,048,887	145,186,252	157,910,956	154,065,268
Unsecured Total	3,822,609,947	3,975,452,186	4,105,404,618	4,253,679,772	4,115,097,549
Utility					
- Land	52,759,791	44,418,304	30,895,217	36,079,112	36,079,112
- Improvements	4,113,507	71,598,266	64,400,000	57,103,651	72,603,651
- Personal Property	812,047	667,647	0	0	0
- Exemptions[1]	0	0	0	0	0
Utility Total	57,685,345	116,684,217	95,295,217	93,182,763	108,682,763
Totals	15,015,575,998	16,091,802,071	18,053,653,752	19,510,188,933	20,003,431,183

(1) Excludes homeowner's exemption.
Source: County of Santa Clara; Urban Analytics, LLC.

Table 5
ASSESSED VALUATIONS AND TAX INCREMENT REVENUES, FISCAL YEARS 1995-96 THROUGH 2009-10
(in Thousands)

Fiscal Year	Assessed Value[1]	Percentage Change	Tax Increment[2]	Supplemental Assessments[3]	Gross Tax Revenues	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	2.53	200,275	3,000	203,275	0.5

(1) Total assessed value for the Merged Project Area. Tax Increment Revenue calculated on incremental assessed value, after subtracting base year assessed value from total assessed value. The Merged Project Area's current base year value is $1,095,977,484.
(2) Includes unitary roll revenue. Tax increment is estimated for Fiscal Year 2009-10.
(3) Estimated for Fiscal Year 2009-10.
(4) Includes Park Center, which was merged in 1996.
Source: The Agency; Urban Analytics LLC.

2010-11 Assessed Valuation. A report of the Assessor dated February 1, 2010 has projected a decrease in the assessed valuation for secured real property for 2010-11. A preliminary calculation by the Assessor's office in such report shows a decrease of 1.53% in the assessed value of secured land and improvements. This preliminary calculation includes the negative 0.237% Proposition 13 inflation factor, roll corrections made after the 2009-10 roll close, and other undisclosed positive and negative factors. The calculation does not include personal property or exemptions. The estimated change in real property valuation is expected to be revised as the Assessor continues to update the 2010-11 roll. Final assessed valuations for fiscal year 2010-11 will not be known until reported by the Assessor in July 2010.

Additional information regarding background and trends or assessed values within the County is available in APPENDIX D – "REPORT OF FISCAL CONSULTANT – Historical and Current Assessed Valuation."

Twenty Largest Taxpayers

Table 6 lists the twenty largest taxpayers in the Merged Project. See "SPECIAL RISK FACTORS – Concentration of Ownership and Types of Property on the Tax Roll" and APPENDIX D – "REPORT OF THE FISCAL CONSULTANT" for additional information on the largest taxpayers, including but not limited to additional information on Cisco Systems, the largest property owner in the Merged Project Area.

Table 6
TWENTY LARGEST TAXPAYERS FOR FISCAL YEAR 2009-10

Property Owner	Secured and Utility	Unsecured	Total	Percentage of Total AV	% of Incremental Land Use AV	Sub-Area
Cisco Systems	$1,059,584,929	$1,894,947,500	$2,954,532,429	14.77%	R& D Office	Rincon North
Blackhawk Parent LLC	843,514,284	0	843,514,284	4.22	R&D Office	Rincon South
The Irvine Company	644,134,732	0	644,134,732	3.22	Multi-Family	Rincon Expansion
Hitachi	617,311,821	0	617,311,821	3.09	R& D Office	Edenvale
CarrAmerica	411,737,767	6,100	411,743,867	2.06	R&D Office	Rincon Expansion
Adobe Systems	301,086,727	864,979	301,951,706	1.51	R&D Office	Park Center Plaza
EBAY Inc	237,917,436	529,304	238,446,740	1.19	R&D Office	Rincon Original
Mission West Properties	214,428,543	0	214,428,543	1.07	R&D Office	Rincon Original
Cadence Design Systems	207,620,523	[0]	207,620,523	1.04	R&D Office	Rincon Expansion
Park Center Plaza Investors LP	172,890,000	0	172,890,000	0.86	R&D Office	Park Center Plaza
Novellus Systems Inc	170,338,435	61,956	170,400,391	0.85	R&D Office	Rincon North
Altera Corporation	150,608,617	[0]	150,608,617	0.75	R&D Office	Rincon Expansion
Sobrato Companies	147,497,477	0	147,497,477	0.74	R&D Office	Julian-Stockton
BEA Systems Inc	140,454,000	[0]	140,454,000	0.70	R&D Office	Guadalupe-Auzerais
Silicon Valley CA I LLC	140,139,260	0	140,139,260	0.70	R&D Office	Rincon Original
Shea Homes	132,389,683	0	132,389,683	0.66	R&D Office	Rincon Expansion
BP Zanker Rd LLC	131,090,400	0	131,090,400	0.66	Multi-Family	Rincon Expansion
Legacy Partners	127,969,200	0	127,969,200	0.64	R&D Office	Park Center Plaza
AMB Property Company	121,485,596	0	121,485,596	0.61	R&D Office	Rincon Original
Lasalle Montague Inc	116,203,225	0	116,203,225	0.58	R&D Office	Rincon Expansion
Total, Top Twenty:	6,088,402,655	1,896,409,839	7,984,812,494	39.92%		
Totals for the Area:	$15,888,333,634	$4,115,097,549	$20,003,431,183	100.00%		

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

Assessment Appeals and Assessor Reductions

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.

In Santa Clara County (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 Santa Clara 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 the application by the County Assessor's Office (the "Assessor"), the Assessor may offer to the property owner to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board for a hearing and decision.

The Appeals Board generally is required to determine the outcome of appeals within two years of each appeals filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which 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 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. In a similar manner, the Assessor may reassert the pre-appeal level of assessed value depending on the Assessor's determination of current value.

Appeals of property value assessments by property owners in the Merged Project Area and unilateral reductions by the Assessor can result in reductions in assessed valuations that affect the Agency's collection of Tax Increment Revenues. The Auditor-Controller's practice is to adjust supplemental property tax revenues for roll corrections, including assessment appeal refunds. The Auditor-Controller's practices with respect to roll corrections, including assessment appeal refunds, could change. See "SPECIAL RISK FACTORS – Reduction in Taxable Value" and "–Appeals and Assessor Reductions to Assessed Value."

Table 7 lists the assessment appeal results with respect to the Merged Project Area for Fiscal Years 2005-06 through 2008-09.

Table 7
ASSESSMENT APPEAL RESULTS, MERGED PROJECT AREA
FISCAL YEARS 2004-05 THROUGH 2009-10

Fiscal Year	Resolved Appeals	County Roll Value	Applicant Opinion of Value	Final Roll Value	Percent of Value Retained [3]
2004-05	586 Resolved	$6,770,502,610	$4,349,463,807	$6,435,907,426	95.06%
2004-05	41 Pending	65,063,880	10,258,636	TBD	TBD
2005-06	482 Resolved	5,808,751,204	4,148,159,504	5,541,460,805	95.40
2005-06	97 Pending	523,107,462	96,105,475	TBD	TBD
2006-07	368 Resolved	4,532,112,342	3,306,188,544	4,359,390,128	96.19
2006-07	86 Pending	821,463,355	373,459,294	TBD	TBD
2007-08	247 Resolved	5,332,579,112	3,598,655,645	5,231,784,149	98.11
2007-08	114 Pending	1,271,734,415	677,518,548	TBD	TBD
2008-09	300 Resolved	5,064,458,248	3,799,784,949	4,940,527,834	97.55
2008-09	188 Pending	2,319,344,152	1,184,282,579	TBD	TBD
2009-10	47 Resolved	887,649,717	691,430,000	887,649,717	100.00
2009-10	383 Pending[1]	4,200,595,060	2,380,353,916	TBD	TBD
2009-10	169 Pending[2]	TBD	TBD	TBD	TBD

(1) Appeal filings for 2009-10 have not been fully processed by the County. The amount of valuation under appeal was provided by the County for 383 pending appeals.

(2) Pending appeals provided to the Agency with no appealed valuation information. The 2009-10 enrolled valuation for these 169 appeals is estimated to be $3.1 billion.

(3) Pending 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 February 4, 2010.
Source: County of Santa Clara; Urban Analytics, LLC.

Based on records provided by the County and compiled by the Fiscal Consultant, there are 1,080 appeals currently pending within the Merged Project Area with an enrolled valuation of $12.3 billion (including those properties with an assessed value of $3.1 billion for which the assessor did not report the appealed valuation). For additional information on assessment appeals in the Merged Project Area, see APPENDIX D – "REPORT OF FISCAL CONSULTANT – Assessment Appeals."

The future success of appeals and resulting reductions in the Merged Project Area taxable valuation may vary from past averages, and no assurance is given that any past rate of value retention will be similar to any future rate. Successful appeals and changes in County practices could adversely affect the available Housing Set-Aside Amounts to pay debt service on the Housing Series 2010 Bonds and Parity Obligations.

In addition to reductions in assessed value through the formal assessment appeals process, California law (Proposition 8) also allows assessors to reduce assessed value upon request of taxpayers and unilaterally. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Property Tax Limitations: Article XIIIA" herein. Generally, reductions to assessed value under Proposition 8 are based on current conditions and these are often temporary. According to the County Assessor's 2009-2010 Annual Report, the County Assessor reduced the values of 90,836 properties within the County as of the January 1, 2009 lien date to reflect changes in market conditions. 1,427 of the properties receiving Proposition 8 reductions were in the Merged Project Area. The approximate combined 2009-10 reduction in assessed valuation for these properties was $640 million, with $130 million for 1,137 townhouse/condominium properties, $30 million for 185 single-family homes and $470 million for 105 commercial properties. See APPENDIX D – "REPORT OF FISCAL CONSULTANT – Proposition 8 Assessment Reductions." See also "SPECIAL RISK FACTORS – Reduction in Taxable Value" and "– Assessment Appeals and Assessor Reductions to Assessed Value."

Debt Secured by Housing Set-Aside Amounts

Outstanding Bonds. Upon the issuance of the Housing Series 2010 Bonds, the Agency will have outstanding $_________* of its Merged Project Area Redevelopment Project Housing Set-Aside Tax Allocation Bonds secured on a parity basis solely by Housing Set-Aside Amounts and other amounts available under the Agreement. All of this debt is fixed rate.

Subordinate Bonds. Simultaneously with the issuance of the Housing Series 2010 Bonds, the Agency intends to issue its series of Subordinate Bonds in the approximate aggregate principal amount of $________* which will be secured by the Housing Set-Aside Amounts on a basis subordinate to the payment of debt service on the Parity Obligations. The Subordinate Bonds will be purchased by an investor pursuant to a private placement arrangement.

Line of Credit Agreement. The Agency and the City have entered into a Line of Credit Agreement with The Bank of New York, dated as of March 1, 2003 (the "Line of Credit Agreement") under which the Agency had a revolving line of credit (the "Line of Credit") in an amount not to exceed $50,000,000, to provide interim funding for acquisition, construction and rehabilitation of low and moderate income housing projects. The Agency's repayment obligations under the Line of Credit Agreement are secured by the Housing Set-Aside Amounts on a basis subordinate to the Parity Obligations.

As of April 1, 2009, the Agency had $50 million outstanding under the Line of Credit. On ______, the Agency exercised its option to convert the Line of Credit to a term loan. The amounts outstanding under this term loan then became due and payable in 20 equal installments of principal and accrued interest, on each January 1, April 1, July 1 and October 1. The annual

* Preliminary, subject to change.

principal amount due on the term loan is $10 million. Interest on the term loan is calculated at a variable rate based on an indexed formula. The Agency may prepay this loan in whole or in part at any time, without penalty. The Agency plans to prepay the loan using a portion of the proceeds of the Subordinate Bonds.

Pro Forma Debt Service Coverage

Table 8 sets forth pro forma Housing Set-Aside Amounts and annual debt service on the Housing Series 2010 Bonds and the Agency's other outstanding housing set-aside bonded indebtedness. Debt service coverage is based on the Fiscal Consultant's estimates of Fiscal Year 2009-10 Housing Set-Aside Amounts held constant for the future while taking into account termination of tax revenue collection in the various project areas within the Merged Project Area. Table 8 is not a projection or forecast but rather is provided to illustrate coverage levels based on recent tax increment receipts and the effect of plan limits on future tax increment. The 2009-10 Housing Set-Aside Amounts shown in the following table do not reflect the 1.53% decrease in the assessed value of secured land and improvements recently estimated by the Assessor in an interim report. Future assessed values in the Merged Project Area cannot be predicted. See "Historic Assessed Value and Housing Set-Aside Amounts" above and the Fiscal Consultant's Report attached as Appendix D.

Table 8
DEBT SERVICE ON HOUSING 2010 BONDS AND OUTSTANDING HOUSING SET-ASIDE BONDS

Bond Year Ending August 1	Housing Set-Aside Amounts[1]	Outstanding Senior Housing Bonds Debt Service[2]	Debt Service on Housing Series 2010A Bonds	Debt Service on Housing Series 2010B Bonds	Total Parity Obligations Debt Service	Estimated Senior Coverage (times)	Subordinate Bonds Debt Service[3]	Total Debt Service	Estimated Combined Coverage (times)
2010									
2011									
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
2021									
2022									
2023									
2024									
2025									
2026									
2027									
2028									
2029									
2030									
2031									
2032									
2033									
2034									
2035									
TOTAL	$	$	$		$		$	$	

[1] The Housing Set-Aside Amounts reflect the assessed valuation in Fiscal Year 2009-10 and no growth thereafter, with no adjustments for possible future reductions or growth in assessed value, including but not limited to the Assessor's recent interim estimate of a 1.53% reduction in assessed value of secured land and improvements. Amounts shown are adjusted for expiration of time limits for collection of tax increment in the various redevelopment project areas making up the Merged Project Area. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Redevelopment Time Limits" and APPENDIX D – "REPORT OF FISCAL CONSULTANT."

[2] See "AGGREGATE DEBT SERVICE."

[3] Subordinate Bonds are initially being issued at a rate based on taxable index. Debt service shown assumes an interest rate of ____%.

SPECIAL RISK FACTORS

The following information should be considered by prospective investors in evaluating the Housing Series 2010 Bonds. However, this is not an exclusive listing of risks and other considerations that may be relevant to investing in the Housing Series 2010 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

The various legal opinions to be delivered concurrently with the issuance of the Housing Series 2010 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Reduction in Taxable Value

Tax Increment Revenue allocated to the Agency is determined by the amount of incremental taxable value in the Merged Project Area and the current rate or rates at which property in the Merged Project Area is taxed. The reduction of taxable values of property in the Merged Project Area caused by economic factors beyond the Agency's control, such as relocation out of the Merged Project Area by one or more major property owners, sale of property to a non profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Housing Set-Aside Amounts that secure the Housing Series 2010 Bonds. Such reduction of Housing Set-Aside Amounts could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Housing Series 2010 Bonds.

As described in greater detail under "FACTORS AFFECTING TAX ALLOCATION FINANCING – Property Tax Limitations: Article XIIIA of the California Constitution" and "– Proposition 13 Annual Adjustment," Article XIIIA 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 two percent 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 measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Housing Series 2010 Bonds could reduce Housing Set-Aside Amounts securing the Housing Series 2010 Bonds.

In addition to the other limitations on and State required Set-Asides of Tax Increment Revenue described herein under "FACTORS AFFECTING TAX ALLOCATION FINANCING," the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Increment Revenues payable to the Agency and thus available Housing Set-Aside Amounts. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Increment Revenue and adversely affect the security of the Housing Series 2010 Bonds.

Risks to Real Estate Market

The Agency's ability to make payments on the Housing Series 2010 Bonds will be dependent upon the economic strength, including the real estate market, of the Merged Project Area. The property values, development and assessed values in the Merged Project Area will be subject to all of the risks generally associated with real estate markets. Real estate prices and development 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 within the Merged 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 Merged Project Area, the owners of property within the Merged Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduce assessed valuation causing a delay or interruption in the receipt of Tax Increment Revenue by the Agency from the Merged Project Area. See "Economic Recession" below.

In recent years, foreclosures on real property have increased significantly. Some homeowners, including those within the Merged Project Area, have experienced difficulty in meeting mortgage loan payments, leading to increased defaults and foreclosures. As a result of increasing defaults and foreclosures on real estate loans and other factors, real estate values have declined and credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the Merged Project Area may adversely impact assessed values.

While property values within the Merged Project Area have increased in recent years, this trend may not continue as the weak economy and high unemployment rates affect the value of real property. Further, the values of different types of property may be affected differently by economic conditions. See "Concentration of Ownership and Types of Property on the Tax Roll" below.

Economic Recession

In recent years, the United States and California economy have been in a recession. A major factor in this recession has been a decline in real estate values. The national and California recession and decline in real estate values have been experienced in the local San José economy, including the Merged Project Area. The City unemployment rate as of December 2009 (the most recent information available to the Agency) was 12.5%, compared to State and national rates of unemployment of 12.1% and 9.7% respectively. See APPENDIX A – "THE CITY OF SAN JOSE: DEMOGRAPHIC AND ECONOMIC INFORMATION" attached hereto.

Assessment 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 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 the extent assessed values are reduced through the assessment appeal or unilateral reduction process, Tax Increment Revenue securing the Housing Series 2010 Bonds will be reduced. ***A reduction in taxable values within the Merged Project Area and the refund of taxes which may arise out of successful appeals by property owners or unilateral reduction by the County Assessor may affect the amount of Housing Set-Aside Amounts available for payment of the Housing Series 2010 Bonds.*** Recently, such appeals and reductions have increased. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Assessment Appeals and Assessor Reductions" and APPENDIX D – "REPORT OF FISCAL CONSULTANT – Assessment Appeals."

Levy and Collection of Taxes

The Agency has no power to levy or collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Housing Set-Aside Amounts, and accordingly, could have an adverse effect on the ability of the Agency to pay debt service on the Housing Series 2010 Bonds. 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 Agency's ability to make timely debt service payments. However, since 1993 the County's practice has been to allocate to the Agency its proportionate share of property taxes collected Countywide regardless of delinquencies, but the County could discontinue this practice at any time.

Concentration of Ownership and Types of Property on the Tax Roll

The Merged Project Area has some concentration of ownership of the property that is on the tax roll, including approximately 14.7% of the assessed value on the Fiscal Year 2009-10 tax roll attributable to Cisco Systems (a significant portion of this property is personal property on the unsecured tax roll as discussed below). Further, the overall mix of types of property on the tax rolls in the Merged Project Area includes a significant percentage of industrial and commercial properties and condominiums. Such concentration and mix of types of property ownership pose risks that might lead to reductions in assessed values and that may differ from the risks associated with the assessed values of single-family and multifamily residential properties. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE – Land Use within the Merged Project Area" and "– Twenty Largest Taxpayers" and APPENDIX D – "REPORT OF FISCAL CONSULTANT – Largest Assessees."

Approximately $4.1 billion (approximately 21%) of the assessed value for Fiscal Year 2009-10 in the Merged Project Area is personal property that is on the unsecured tax roll. A significant portion of this property is owned by Cisco Systems. In general, the assessed value of this type of personal property has been and may be subject to increased volatility. Factors contributing to volatility include relocation of personal property out of the Merged Project Area, obsolescence and rapid depreciation. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Property Tax Collection Procedures" and APPENDIX D – "REPORT OF FISCAL CONSULTANT – Largest Assessees."

State Budget

On February 20, 2009, the Governor signed the 2009 Budget Act (the "Original 2009-10 State Budget"). The Governor proposed revisions to the Original 2009-10 State Budget on May 14, 2009 and again on July 1, 2009, and the Legislature approved a new budget package on July 24, 2009. On July 28, 2009, the Governor signed certain amendments to the Original 2009-10 State Budget (as amended, the "Revised 2009-10 State Budget") to address a projected $24.16 billion shortfall in revenues. The Revised 2009-10 State Budget requires redevelopment agencies to make payments totaling $1.7 billion (by May 10, 2011) and $350 million (by May 10, 2011) to K-12 school districts serving students living in or near their redevelopment areas. See "– Educational Revenue Augmentation Fund Transfers" below and "FACTORS AFFECTING TAX ALLOCATION FINANCING – Educational Revenue Augmentation Fund Transfers."

It has been reported that the State's monthly revenues in Fiscal Year 2009-10 continue to be below budgeted projections and that the State is likely to have deficits in Fiscal Years 2009-10, 2010-11 and beyond. The Agency cannot predict the extent of the budgetary problems the State will encounter in this fiscal year or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the Agency cannot predict the final outcome of current and future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors, including the current economic downturn, over which the Agency has no control.

Educational Revenue Augmentation Fund Transfers

In recent years as part of certain State budgets, the State Legislature has enacted legislation that has reallocated property taxes from local governments to the State and/or to Schools through ERAF. As part of the Fiscal Year 2009-10 State budget package, AB 26x4 requires redevelopment agencies to make payments totaling $1.7 billion (by May 10, 2010) and $350 million (by May 10, 2011) to K–12 school districts serving students living in or near their redevelopment areas. It is possible that the State Legislature could shift property tax allocations or require additional redevelopment payments in future years. ERAF and SERAF shifts have been expressly subordinate to bond obligations existing upon the effective date of such ERAF or SERAF obligation. The Agency cannot predict whether the State Legislature will enact any other legislation requiring additional or increased future shifts in Tax Increment Revenues to the State and/or to schools. Future legislation, litigation and other measures affecting the Agency's receipt of Housing Set-Aside Amounts in connection with the State budget situation cannot be predicted and may materially and adversely affect the Agency's ongoing ability to pay principal and interest on the Housing Series 2010 Bonds and Parity Obligations. See "– State Budget" above.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Merged Project Area by October 1, each year. The statement of indebtedness controls the amount of Tax Increment Revenue that will be paid to the Agency in each fiscal year. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Property Tax Collection Procedures – Filing of Statement of Indebtedness." In the event the Agency fails to file an annual statement of indebtedness, Tax Increment Revenue available to the Agency could be adversely affected.

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 adversely impacted by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Although bankruptcy proceedings would not cause any tax 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 Housing Series 2010 Bonds and the possibility of delinquent tax installments not being paid in full.

Further, the various legal opinions to be delivered concurrently with the delivery of the Housing Series 2010 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.

Tax Increment Revenue Limitations

The Agency's ability to collect tax increment is limited by the time limits on the repayment of debt and by the cap on total tax increment to be received from the Merged Project Area. The cumulative tax increment that the Agency may receive from the Merged Project Area is capped at $15 billion. The Fiscal Consultant projects that, with a sustained annual rate growth of 8.0% or greater, the cap could be reached prior to the final maturity of the Housing Series 2010 Bonds. From Fiscal Year 1995-96 through Fiscal Year 2009-10, the annual average growth in the Merged Project Area has been 8.1%. See APPENDIX D – "REPORT OF FISCAL CONSULTANT – Tax Increment Cap."

Earthquake Risk

The City is located within ten miles of the San Andreas Fault, the Hayward Fault and the Calaveras Fault, each known to be active faults. The City has experienced earthquakes with a Richter magnitude of 6.0 or greater and with the epicenter being within the San Francisco Bay Area. Widespread earthquake damage in the Merged Project Area would adversely affect assessed valuation and therefore the Housing Set-Aside Amounts available to pay debt service on the Housing Series 2010 Bonds.

Flood

The City and the Santa Clara Valley have a history of flooding which has resulted in property damage. Flood-related damage in the Merged Project Area may adversely affect assessed valuation and the Tax Increment Revenues available to pay debt service on the Housing Series 2010 Bonds. In January 2005, the Army Corps of Engineers and the Santa Clara Valley Water District, the agency with the primary responsibility for flood control and modifications to stream channels, completed two flood control projects along the Guadalupe River in an effort to protect properties in downtown and north San José.

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 Merged 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 Merged Project Area, the costs of remedying it could reduce the marketability and taxable value of the property.

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 amend the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Housing Set-Aside Amounts, which could have an adverse effect on the Agency's ability to pay debt service on the Housing Series 2010 Bonds. In the event of an amendment or revision to the Redevelopment Law that would allow the Agency to set aside less than the Housing Set-Aside Amounts required to be set aside by the Agency as of the date of execution of the Agreement, the Agency has covenanted that it will continue to set aside a sufficient amount of Tax Increment Revenues to pay the Annual Debt Service on the Housing Series 2010 Bonds and Parity Obligations and to make deposits to the Reserve Account as required by the Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE HOUSING SERIES 2010 BONDS – Pledge of Housing Set-Aside Amounts."

TAX MATTERS – TAX EXEMPT BONDS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Housing Series 2010A Bonds is excluded from gross income for federal income tax purposes pursuant to the Code, except that no opinion is expressed as to such exclusion of interest on any bond for any period during which the Housing Series 2010A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the Housing Series 2010A Bonds or a "related person," and (ii) interest on the Housing Series 2010A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City, the Agency and each of the project users in connection with the Housing Series 2010A Bonds, and Bond Counsel has assumed compliance by the City, the Agency and each of the project users with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Housing Series 2010A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel, under existing statutes, interest on the Housing Series 2010A Bonds is exempt from personal income taxes imposed by the State.

Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Housing Series 2010A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of interest on the Housing Series 2010A Bonds, or under state and local tax law.

Summary of Certain Federal Tax Requirements

Under applicable provisions of the Code, the exclusion from gross income of interest on the Housing Series 2010A Bonds for purposes of federal income taxation requires that (i) at least 40% (or 20%, if applicable) of the units in each of the affordable housing projects financed by the Housing Series 2010A Bonds be occupied during the "Qualified Project Period" (defined below) by individuals whose incomes, determined in a manner consistent with Section 8 of the United States Housing Act of 1937, as amended, do not exceed 60% (or 50%, if applicable) of the median income for the area, as adjusted for family size, and (ii) all of the units of each of the affordable housing projects be rented or available for rental on a continuous basis during the Qualified Project Period. "Qualified Project Period" for each of the affordable housing projects means a period commencing upon the later of (a) occupancy of 10% of the units in such affordable housing project or (b) the date of issue of the Housing Series 2010A Bonds and running until the later of (i) the date which is 15 years after occupancy of 50% of the units in the affordable housing projects, (ii) the first date on which no tax-exempt private activity bonds issued with respect to the affordable housing projects are outstanding, or (iii) the date on which any assistance provided with respect to such affordable housing projects under Section 8 of the 1937 Housing Act terminates. The affordable housing projects will meet the continuing low income requirement as long as the income of the individuals occupying the unit does not increase to more than 140% of the applicable limit. Upon an increase over 140% of the applicable limit, the next available unit of comparable or smaller size in the respective affordable housing project must be rented to an individual having an income of 60% (or 50%, if applicable) or less of the area median income.

Compliance and Additional Requirements

The Code establishes certain additional requirements which must be met subsequent to the issuance and delivery of the Housing Series 2010A Bonds in order that interest on the Housing Series 2010A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the proceeds of the Housing Series 2010A Bonds, yield and other limits regarding investment of the proceeds of the Housing Series 2010A Bonds and other funds, and rebate of certain investment earnings on such amounts on a periodic basis to the United States.

The Agency and City have covenanted in the Tax Certificate that it shall at all times do and perform all acts and things permitted by law necessary or desirable in order to assure that interest paid on the Housing Series 2010A Bonds shall be excluded from gross income for federal income tax purposes. In furtherance thereof, the Agency entered into certain Regulatory Agreement and Declaration of Restrictive Covenants with each of the project users to assure compliance with the Code. However, no assurance can be given that in the event of a breach of any such covenants, or noncompliance with the procedures or certifications set forth therein, the remedies available to the City and the Agency and/or Housing Series 2010A Bondowners can be judicially enforced in such manner as to assure compliance with the above-described requirements and therefore to prevent the loss of the exclusion of interest from gross income for federal income tax purposes. Any loss of such exclusion of interest from gross income may be retroactive to the date from which interest on the Housing Series 2010A Bonds is payable.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Housing Series 2010A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Housing Series 2010A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Housing Series 2010A Bonds.

Prospective owners of the Housing Series 2010A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Housing Series 2010A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Housing Series 2010A Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Housing Series 2010A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Housing Series 2010A Bonds is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Housing Series 2010A Bonds having OID (a "Discount Bond"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Housing Series 2010A Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Housing Series 2010A Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium

In general, if an owner acquires a Housing Series 2010A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Housing Series 2010A Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Housing Series 2010A Bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Housing Series 2010A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Housing Series 2010A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Housing Series 2010A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Housing Series 2010A Bonds under federal or state law and could affect the market price or marketability of the Housing Series 2010A Bonds.

Prospective purchasers of the Housing Series 2010A Bonds should consult their own tax advisors regarding the foregoing matters.

TAX MATTERS – TAXABLE BONDS

Taxable Bonds

In the opinion of Bond Counsel, interest on the Housing Series 2010B Bonds (i) is included in gross income for federal income tax purposes pursuant to the Code and (ii) is exempt, under existing statutes, from personal income taxes imposed by the State of California.

The following discussion is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Housing Series 2010B Bonds by original purchasers of the Housing Series 2010B Bonds who are "U.S. Holders," as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Housing Series 2010B Bonds will be held as "capital assets"; and (iii) does not discuss all of the United States federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Housing Series 2010B Bonds as a position in a "hedge" or "straddle," or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, or holders who acquire Housing Series 2010B Bonds in the secondary market.

Holders of Housing Series 2010B Bonds should consult with their own tax advisors concerning the United States federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Housing Series 2010B Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount

In general, if Original Issue Discount ("OID") is greater than a statutorily defined *de minimis* amount, a holder of a Housing Series 2010B Bond must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Housing Series 2010B Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price at maturity" over (ii) the "issue price." For purposes of the foregoing: "issue price" means the first price at which a substantial amount of the Housing Series 2010B Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers); "stated redemption price at maturity" means the sum of all payments, other than "qualified stated interest," provided by such Housing Series 2010B Bond; "qualified stated interest" is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate; and "*de minimis* amount" is an amount equal to 0.25 percent of the Housing Series 2010B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity. A holder may irrevocably elect to include in gross income all interest that accrues on a Housing Series 2010B Bond using the constant-yield method, subject to certain modifications.

Original Issue Premium

In general, if a Housing Series 2010B Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Housing Series 2010B Bond other than "qualified stated interest" (a "Taxable Premium Bond"), that Taxable Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, the holder of a Taxable Premium Bond may either deduct the bond premium under Section 171(a)(1) or may elect under Section 171(c) of the Code to amortize that premium as "amortizable bond premium" over the remaining term of the Taxable Premium Bond, determined based on constant yield principles (in certain cases involving a Taxable Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such bond). Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Taxable Premium Bond may realize a taxable gain upon disposition of the Taxable Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder's original acquisition cost.

Disposition and Defeasance

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Housing Series 2010B Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder's adjusted tax basis in the Housing Series 2010B Bond.

The Agency may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Housing Series 2010B Bonds to be deemed to be no longer outstanding under the Agreement (a "defeasance"). See APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT – Discharge of Indebtedness." For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Housing Series 2010B Bonds subsequent to any such defeasance could also be affected.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and the accrual of OID on a Housing Series 2010B Bond and the proceeds of the sale of a Housing Series 2010B Bond before maturity within the United States. Backup withholding may apply to holders of Housing Series 2010B Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States federal income tax provided the required information is furnished to the Internal Revenue Service.

U.S. Holders

The term "U.S. Holder" means a beneficial owner of a Housing Series 2010B Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

IRS Circular 230 Disclosure

The advice under the heading "TAX MATTERS – TAXABLE BONDS," concerning certain income tax consequences of the acquisition, ownership and disposition of the Housing Series 2010B Bonds, was written to support the marketing of the Housing Series 2010B Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the City or Agency is not intended to be used, and cannot be used by any Bondholder, for the purpose of avoiding penalties that may be imposed on the Bondholder under the Code, and (ii) the Bondholder should seek advice based on the Bondholder's particular circumstances from an independent tax advisor.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could affect the market price or marketability of the Housing Series 2010B Bonds.

Prospective purchasers of the Housing Series 2010B Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the beneficial owners of the Housing Series 2010 Bonds to provide certain financial information and operating data relating to the Agency by not later than the last day of the ninth month after the end of the Agency's fiscal year (the "Annual Report"), commencing with the report related to Fiscal Year 2009-10, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by the Fiscal Agent with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

The Agency filed its annual disclosure report due February 1, 2003 relating to certain of its outstanding bonds on or about May 30, 2003. Other than this late filing, the Agency has never failed to comply in all material respects with its previous undertakings to provide annual reports or notices of material events

APPROVAL OF LEGALITY

The validity of the issuance of the Housing Series 2010 Bonds is subject to the approval of Hawkins Delafield & Wood LLP, San Francisco, California, acting as Bond Counsel. Said firm is also serving the Agency as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Chapman & Cutler LLP, for the Agency by its General Counsel, for the Authority by its counsel and for the City by the City Attorney.

LITIGATION

Other than as described below, there is no pending or, to the best knowledge of the Agency, threatened litigation seeking to restrain or enjoin the issuance, sale, execution or delivery of the Housing Series 2010 Bonds, or in any way contesting or affecting the validity of the Housing Series 2010 Bonds or any proceeding of the Agency taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Housing Series 2010 Bonds, or existence or powers of the Agency, or the authority of the Agency to enter into any document relating to the Agreement or the Housing Series 2010 Bonds.

UNDERWRITING

The Agency will sell the Housing Series 2010 Bonds to the Underwriters shown on the cover page hereof. The Underwriters have agreed to purchase from the Authority the Housing Series 2010 Bonds at a purchase price equal to $_________, representing the aggregate principal amount of the Housing Series 2010 Bonds, plus an original issue premium of $______ / less an original issue discount of $_______, less an Underwriters' discount of $_______.

The Bond Purchase Agreement between the Agency and the Underwriters provides that the Underwriters will purchase all of the Housing Series 2010 Bonds, if any are purchased. Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page of this Official Statement, and such public offering prices may be changed by the Underwriters from time to time without notice.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. and Fitch, Inc. have assigned their ratings of "____," "____" and "____," respectively to the Housing Series 2010 Bonds. Such ratings reflect only the views of the rating agencies and any desired explanation of the significance of such ratings should be obtained from the rating agencies. Generally, a rating agency bases its rating on the insurance and the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by a rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Housing Series 2010 Bonds.

FINANCIAL ADVISOR

The Agency has retained the services of Ross Financial, as Financial Advisor. Payment of fees to the Financial Advisor is contingent upon issuance of the Housing Series 2010 Bonds.

MISCELLANEOUS

The summaries or description of provisions in the Agreement contained herein and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such documents. For further information, reference should be made to the complete documents, copies of which will be on file at the offices of the Underwriters prior to the delivery of the Housing Series 2010 Bonds and thereafter at the designated office of the Fiscal Agent for examination.

All projections, forecasts and other information in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Agency and the purchasers or holders of any of the Housing Series 2010 Bonds.

The attached APPENDICES A through G are integral parts of this Official Statement and must be read together with all of the foregoing statements.

REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

By: /s/
Chief Financial Officer

APPENDIX A
THE CITY OF SAN JOSE: DEMOGRAPHIC AND ECONOMIC INFORMATION

General Description

The City is the tenth largest city in the United States and the third largest city in California (the "State") with a January 1, 2009 population estimated at 1,006,892, according to the California Department of Finance. The territory of the City encompasses approximately 178square 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 has become the capital of the innovative, high technology based Silicon Valley – so-named for the principal material used in producing semiconductors. During the 1980's and 1990's the City experienced an economic resurgence with expansion in manufacturing, service, retail and tourist industries. However, since the fourth quarter of 2008, the City has experienced a significant economic downturn. This is evidenced in several key economic indicators such as unemployment rates and median home prices. The unemployment rates at the local, State, and national levels have all gone up significantly in recent months to some of the highest rates in decades.

San José Municipal Government

The City is governed by the 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 is a charter city, which means the City, through its charter (the "Charter"), may regulate municipal affairs, subject only to restrictions and limitations provided in the Charter. In matters other than municipal affairs or in matters of statewide concern, the City is subject to State law.

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. The officials heading these offices are appointed by the City Council and carry out the policies set forth by the City Council.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under State law. These services are organized in five key lines of business – Community and Economic Development, Environmental and Utility Services, Neighborhood Services, Public Safety, Transportation and Aviation Services and Strategic Support. These cross-departmental service areas provide a forum for strategic planning and investment decisions within the context of the Mayor and City Council policy priorities. Plans, policies, and investment decisions are then carried out through departmental core and operational services.

Demographic and Economic Information

Introduction

The demographic and economic information provided below has been collected from sources that the City has determined to be reliable and is the most current information available from those sources. Because it is difficult to obtain complete and timely regional economic and demographic information, the City's economic condition may not be fully apparent in all of the publicly available regional economic statistics provided herein, but the City has included this information to provide context about the City's finances.

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 extremely rapid population growth in both the City and County, the last two 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 for the years 1960, 1970, 1980, 1990 and 2000 and according to the California Department of Finance for the years 2001 through 2009.

Table 1
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of San José	Annual % Change	County of Santa Clara	Annual % Change	State of California	Annual % Change
1960	204,196		642,315		15,717,204	
1970	459,913	8.46%	1,064,714	5.18%	19,953,134	2.42%
1980	629,442	3.19	1,295,071	1.98	23,667,902	1.72
1990	782,248	2.20	1,497,577	1.46	29,760,021	2.32
2000	894,943	1.35	1,682,585	1.17	33,871,648	1.30
2001	905,540	1.18	1,701,385	1.12	34,430,970	1.65
2002	915,706	1.12	1,715,329	0.82	35,063,959	1.84
2003	922,950	0.79	1,726,183	0.63	35,652,700	1.68
2004	929,959	0.76	1,738,654	0.72	36,199,342	1.53
2005	941,609	1.25	1,753,041	0.83	36,676,931	1.32
2006	953,058	1.22	1,771,610	1.06	37,086,191	1.12
2007	968,287	1.60	1,798,242	1.50	37,472,074	1.04
2008	985,307	1.76	1,829,480	1.74	37,883,992	1.10
2009	1,006,892	2.19	1,857,621	1.54	38,292,687	1.08

Source: U.S. Census (1960-2000), California Department of Finance (2001-2009).

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 has risen since 2007 as a result of the economic downturn across the United States. The City's unemployment rate has increased from 6.0% in 2005 to 12.5% as of December 2009.

Table 2
SANTA CLARA COUNTY
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE

Civilian Labor Force *(in thousands)*	**2005**	**2006**	**2007**	**2008**	**2009**[1]
City of San José					
Employed	403	414	419	429	403
Unemployed	26	22	22	31	57
Total[2]	429	436	441	460	460
County of Santa Clara					
Employed	779	797	807	827	777
Unemployed	45	37	40	53	98
Total[2]	824	834	855	880	875
Unemployment Rates					
City	6.0%	5.0%	5.3%	6.7%	12.5%
County	5.5	4.5	4.7	6.0	11.2
State	5.4	4.9	5.4	7.2	12.1
United States	5.1	4.6	4.6	5.8	9.7

(1) Not seasonally adjusted; data are for December 2009.
(2) Totals may not add due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division.

The City occupies the geographic center of Silicon Valley. The high technology industry component of the City's economy is diversified in research, development, manufacturing, marketing and management. Development of high technology has been supported by the area's proximity to Stanford University, San José State University, Santa Clara University 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 Ames Research Center (NASA).

While the County is known worldwide as "Silicon Valley," the silicon-based semiconductor industry is only a part of the industrial picture. Other industries include information systems, computers, peripherals, instruments, software and a wide array of communication electronics.

Table 3 displays the composition of employment in the San José-Sunnyvale-Santa Clara Metropolitan Statistical Area by general category for the most recent three years available.

Table 3
SAN JOSE-SUNNYVALE-SANTA CLARA METROPOLITAN STATISTICAL AREA
EMPLOYMENT BY CATEGORY
ANNUAL AVERAGES

	2006	**Percent of Total**	**2007**	**Percent of Total**	**2008**	**Percent of Total**
Farm	6,200	0.69%	6,700	0.73%	6,100	0.66%
Natural Resources & Mining	300	0.03	300	0.03	300	0.03
Construction	46,800	5.21	47,200	5.14	44,200	4.80
Manufacturing	163,700	18.24	166,700	18.16	168,000	18.24
Wholesale Trade	38,300	4.27	39,800	4.34	40,600	4.41
Retail Trade	85,800	9.56	86,400	9.41	84,600	9.18
Transport Warehousing, Utilities	13,000	1.45	13,500	1.47	13,300	1.44
Information	37,500	4.18	39,600	4.31	41,700	4.53
Financial Activities	37,100	4.13	37,200	4.05	34,800	3.78
Professional & Business Services	172,000	19.16	178,300	19.42	178,700	19.40
Educational & Health Services	100,400	11.19	103,200	11.24	107,500	11.67
Leisure & Hospitality	75,200	8.38	76,800	8.37	78,200	8.49
Other Services	24,800	2.76	25,100	2.73	25,300	2.75
Government	96,400	10.74	97,200	10.59	97,800	10.62
Total[(1)]	**897,500**		**918,000**		**921,100**	

(1) Totals may not add due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division.

Major Employers

Table 4 shows fifteen selected major employers in San José, ranked by the number of their employees, estimated as of October 2009. Because there is no official source for this information, it has been gathered by the City's Office of Economic Development on an informal basis and the City can provide no assurances as to the accuracy of the information.

Table 4
SELECTED MAJOR SAN JOSE EMPLOYERS

	Company/Organization	**Type of Industry**	**Approximate Number of Employees**
1.	Santa Clara County	Government	15,360
2.	Cisco Systems	Computer Equipment	11,600
3.	IBM Corporation	Computer Equipment	7,460
4.	City of San José	Government	6,623(1)
5.	San José State University	Education	3,100
6.	eBay/Paypal	On-Line Auction	3,000
7.	Hitachi	Storage Software	2,900
8.	San José Unified School District	Education	2,690
9.	Xilinx	Semiconductor	2,340
10.	Sanmina-SCI	Semiconductor Equipment	2,170
11.	Kaiser Permanente	Health Care	2,120
12.	Adobe Systems Inc.	Computer Software	2,000
13.	Good Samaritan Health System	Health Care	1,850
14.	KLA-Tencor Corporation	Semiconductor Equipment	1,770
15.	Cadence Design Systems Inc.	Computer Software	1,560

(1) Reflects the City's full-time equivalent authorized positions included in the 2009-2010 Adopted Budget.
Source: City of San José, Office of Economic Development.

Retail Sales

Table 5 sets forth a history of taxable sales for the City from calendar year 2004 through 2008 by the California State Board of Equalization.

Table 5
CITY OF SAN JOSE
TAXABLE SALES
(in thousands)

	2004	2005	2006	2007	2008
Apparel Stores	$ 428,926	$ 476,095	$ 514,552	$ 537,902	$ 586,621
General Merchandise Stores	1,192,548	1,273,994	1,332,598	1,425,777	1,361,162
Food Stores	396,216	401,720	409,257	427,237	410,915
Eating and Drinking Establishments	977,463	1,046,629	1,128,192	1,206,390	1,230,360
Home Furnishings and Appliances	342,719	363,119	364,657	360,402	405,072
Building Materials and Farm Implements	833,766	853,656	875,354	781,551	699,786
Auto Dealers and Auto Supplies	1,553,456	1,573,954	1,584,002	1,548,373	1,137,915
Service Stations	872,202	1,021,176	1,128,236	1,245,967	1,398,999
Other Retail Stores	1,349,032	1,417,102	1,576,089	1,700,093	1,306,125
Retail Stores Total	$ 7,946,328	$ 8,427,445	$ 8,912,937	$ 9,233,692	$ 8,536,956
All Other Outlets	3,190,904	3,279,248	3,357,103	3,542,272	3,866,721
Total All Outlets	$11,137,232	$11,706,693	$12,270,040	$12,775,964	$12,403,677

Source: California State Board of Equalization.

Construction Activity

A history of construction valuation and new dwelling units for the most recent five calendar years appears in Table 6 below.

Table 6
CITY OF SAN JOSE
CONSTRUCTION VALUATION AND NEW DWELLING UNITS
(in thousands)[1]

	2004	2005	2006	2007	2008
Valuation:[1]					
Residential.........	$ 538,738	$ 505,954	$ 484,307	$ 344,457	$ 280,491
Non-Residential .	360,355	399,149	404,053	674,025	534,754
Total	$ 899,093	$ 905,103	$ 888,360	$ 1,018,482	$ 815,245
New Dwelling Units:					
Single Family.....	960	831	611	462	254
Multi-Family......	2,017	1,951	2,362	1,708	1,716
Total	2,977	2,782	2,973	2,170	1,970

(1) Valuation figures are adjusted to 2008 dollars per Bureau of Labor Statistics Consumer Price Index, San José-San Francisco-Oakland.
Source: City of San José, Department of Planning, Building and Code Enforcement as of January 7, 2009.

Education

For the school year 2008-09, an estimated 276,230 students were enrolled in the County's 241 elementary schools; 59 middle schools and junior high schools; 50 high schools; 45 K-12, community, alternative, special education, continuation and juvenile hall schools and 33 charter schools. In addition, there are a number of private schools serving the residents of the County. The County has seven community colleges (within four community college districts: Foothill-DeAnza, Gavilan Joint, San José-Evergreen, and West Valley-Mission). Major universities in the County include Stanford University, Santa Clara University, and San José State University.

The City is served by 18 of the 33 public school districts in the County. These school districts cross municipal boundaries. Principal public school systems serving the City are the San José Unified School District (grades K-12), with an estimated enrollment for school year 2008-09 of 31,918, and the East Side Union High School District with an estimated enrollment for school year 2008-09 of 26,259.

Transportation

The San José area is served by a network of freeways providing regional, national and international access. Bayshore Freeway (Highway 101), a major north-south highway between San Francisco and Los Angeles, provides access to air passenger and cargo facilities at Norman Y. Mineta San José International Airport (the "Airport") and San Francisco International Airport. Interstate 880 connects San José with the Oakland International Airport and the Port of Oakland. Interstates 280 and 680 provide access to the peninsula and eastern regions of the San Francisco

Bay Area, respectively, and State Route 17 serves to connect San José with the Pacific Coast at Santa Cruz. Additional freeways serving the local area are State Routes 85, 87 and 237. During the past two decades, approximately $1.8 billion has been invested by the State and the County to expand and improve the area freeway system.

The Santa Clara Valley Transportation Authority (the "VTA") provides public transit service throughout Santa Clara County, servicing 326 square miles of urbanized area. Transit services are readily accessible to residents of the City, as most residences and businesses in the City are within a quarter mile of bus or light rail service. According to the VTA Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009, VTA's bus network is comprised of 75 bus routes, over 3,804 bus stops, 802 bus shelters, and 8 park-and-ride bus lots. VTA also partners with Altamont Commuter Express ("ACE") and Caltrain to provide commuter rail service, with Santa Cruz Metro to provide regional bus service from Santa Cruz to Downtown San José, and with the Dumbarton Express for bus services between the East Bay to northern Santa Clara County work centers and communities. In addition, VTA offers light rail and ACE Train bus shuttles to various worksites and locations.

In the November 2000 election, the voters of the County approved a 30-year, one-half cent sales tax that commenced collection in 2006 upon the expiration of a previously approved one-half cent sales tax. This sales tax will finance various transit projects, including the Silicon Valley Rapid Transit Project (the "SVRT") which is proposed to extend the Bay Area Rapid Transit ("BART") system to the City. BART is a heavy rail rapid transit system currently serving Alameda, Contra Costa, and San Francisco Counties and the northern portions of San Mateo County.

In November 2008, California voters passed Proposition 1A providing $9 billion in initial funding for a statewide high-speed rail system. The proposed first phase of the line would stretch between San Francisco and Anaheim with stations in San José, Gilroy, Merced, Fresno, Bakersfield, and Los Angeles at an estimated cost of $33 billion. Also, in November 2008, Santa Clara County voters approved a one-eighth of one percent retail sales and use tax as proposed by the VTA to be used by BART to operate, maintain and improve the 16-mile BART extension from Fremont to the County of Santa Clara, with stations in Milpitas, San José, and Santa Clara, connecting with Caltrain from Gilroy to San Francisco, and establishing a People Mover to the Airport. Per the terms of the ballot measure, the tax will be collected only if sufficient State and federal funds are secured to match local construction dollars.

The Airport is located on approximately 1,050 acres of land approximately two miles north of Downtown San José, between the Bayshore Freeway (Highway 101) and Interstate 880. The Airport is a commercial service and general aviation airport and is classified by the Federal Aviation Administration as a "medium hub" (an airport that enplanes at least 0.25 percent but less than 1.0 percent of the total number of passenger boardings at all commercial service airports in the United States).

Through the first two quarters of Fiscal year 2009-10, the Airport served approximately 2.1 million enplaned passengers and accommodated 69,931 operations (takeoffs and landings) compared with 2.4 million enplaned passengers and 84,065 operations for the first two quarters of Fiscal Year 2008-09. According to traffic statistics published by the Airports Council

International-North America ("ACI-NA"), in calendar year 2008, the Airport was the 42nd busiest airport in North America in terms of total passengers and the 57th busiest in terms of total cargo.

In November 2005, the San José City Council approved a comprehensive plan to replace and upgrade the terminal facilities at the Airport. The Terminal Area Improvement Program (the "TAIP") is scheduled to be completed in two phases. The first phase of the TAIP ("Phase 1") includes, but is not limited to, a new Terminal B, upgrades for the existing Terminal A and improvements to the roadway system, and a new consolidated rental car and public parking garage. Some of the Phase 1 major milestones reached as of December 2009 include the completion of the structure of the consolidated rental car garage building and the opening of the ticketing lobbies at the new Terminal A.

The second phase of the TAIP ("Phase 2") includes an expansion of Terminal B and construction of a new South Concourse facility, adding a total of 12 gates. Pursuant to the Airport's lease agreement with its tenant airlines, projects in Phase 2 of the TAIP have been pre-approved, but construction is contingent on meeting certain activity-based benchmarks. Specifically, the Airport must reach 217 scheduled flights on any one day, or must enplane or deplane at least 12.2 million passengers in any given fiscal year in order to begin Phase 2.

Assessed Valuations

Table 7 below sets forth a five year history of the City's assessed valuation. Assessed valuation is a value determined by legal requirements and used to calculate ad valorem taxation and does not represent market value.

Table 7
CITY OF SAN JOSE
HISTORICAL END OF FISCAL YEAR ASSESSED VALUE OF PROPERTY
(in thousands)

Fiscal Year	Gross Assessed Valuation[1]	Percentage Change
1999-00	$ 63,947,881	
2000-01	57,175,296	(10.59)
2001-02	63,975,252	11.89
2002-03	67,915,616	6.16
2003-04	73,077,977	7.60
2004-05	77,532,649	6.10
2005-06	85,234,836	9.93
2006-07	93,616,483	9.83
2007-08	101,093,290	7.99
2008-09	105,827,554	4.68

(1) Valuations as of the end of the fiscal year.
Source: City of San José Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2009.

Investment Policy and Practices of the City

The City and its related entities are required to invest all funds under the Director of Finance's control in accordance with principles of sound treasury management and in accordance with the provisions of the California Government Code, the Charter, the City Municipal Code and the City Investment Policy (the "Policy"). The Policy was originally adopted by the City Council on April 2, 1985 (Resolution No. 58200) and is reviewed annually by the City Council. On June 9, 2009, the City Council approved revisions to the Policy which included: updating job titles of the City Investment Officials; adding language in the authorized investments section to clarify certain restrictions and limitations are "at time of purchase"; updating of the List of the Primary Government Securities Dealers; and making other clarifying changes. The Investment Policy will be submitted to The Association of Public Treasurers of the United States and Canada ("Association") for recertification that the revised policy is a professionally accepted policy based on the standards developed by the Association.

The primary objectives of the Policy, in their order of priority, are to (1) provide for the safe preservation of principal, (2) ensure that there is sufficient liquidity for operating needs, and (3) attain the maximum yield possible as long as investment practices are consistent with the first two stated objectives.

Current Investment Portfolio

As of December 31, 2009, the book value of the City's pooled investment fund [which includes funds of the Redevelopment Agency] was $779,753,890.74, while the market value was $789,821,036.48. The composition of the fund, including the weighted average days to maturity and yield, is provided in Table 8 shown below. The Redevelopment Agency's portion of the pool was approximately 1.02%.

Table 8
CITY OF SAN JOSE POOLED INVESTMENT FUND
GENERAL POOL INVESTMENTS(4)
As of December 31, 2009

	Book Value	Percent of Portfolio	Market Value	Weighted Average Days to Maturity	Weighted Average Yield
U.S. Treasury Bills and Notes...	$ 0	0%	$ 0	64	0.284%
Federal Agency Securities	509,954,614	65	519,955,403	324	3.121
Medium Term Notes (corp.)	29,919,250	4	29,919,250	679	2.859
Bankers Acceptance	0	0	0	0	0.000
Commercial Paper	99,880,027	13	99,946,383	75	0.310
Repurchase Agreements	0	0	0	0	0.000
Neg. Certificate of Deposit	40,000,000	5	40,000,000	71	0.294
Money Market Mutual Fund.....	0	0	0	0	0.000
State of California LAIF	100,000,000	13	100,000,000	1	0.605
Total	$ 779,753,891	100%	$789,821,036	251	2.878%

Source: City of San José, Finance Department.

APPENDIX B
SUMMARY OF CERTAIN PROVISIONS OF THE AGREEMENT

The following is a summary of certain provisions of the Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Agreement, which may be obtained as described under "INTRODUCTION – Other Information" in this Official Statement. Capitalized terms not defined in this Official Statement shall have the meaning set forth in the Agreement.

[To come]