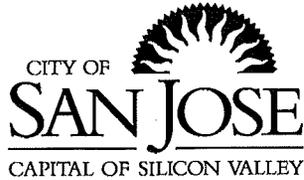


SUPPLEMENTAL



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Julia H. Cooper
Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: August 19, 2011

Approved

Date

8/19/11

COUNCIL DISTRICT: 5

SNI AREA: East Valley/680 Communities

**SUBJECT: APPROVAL OF THE ISSUANCE OF BONDS, LOAN OF BOND
PROCEEDS, AND RELATED DOCUMENTS FOR THE
TAYLOR OAKS APARTMENTS**

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

To provide updated status on financing, details of which arose subsequent to the August 1, 2011 Council Memorandum.

EXPECTED BOND RATING

The August 1, 2011 Council memorandum indicated that the City of San José Multifamily Housing Revenue Bonds (Taylor Oaks Apartments), Series 2011A-1 and Series 2011A-2 Bonds (the "Bonds") will be rated "AAA" by Standard & Poor's ("S&P") based on its current assessment of Freddie Mac, which is providing credit enhancement for the Bonds. On August 5, 2011, S&P downgraded the sovereign rating of the United States to "AA+". As a consequence of that rating action, S&P also downgraded the ratings of Freddie Mac and other entities whose credit is derived from the rating of the United States. As a result, the expected rating on the Bonds will now be "AA+."

HONORABLE MAYOR AND CITY COUNCIL

August 19, 2011

Subject: Taylor Oaks Apartments

Page 2

CITY LOAN

The \$5,250,000 City Loan will be funded from a Neighborhood Stabilization Program 2 (“NSP2”) grant from the U.S. Department of Housing and Urban Development. NSP2 requires a 25% set aside for families with incomes of 50% area median income (“AMI”) or less at affordable rents and that a recorded covenant be in force for a minimum affordability period based on HOME standards (15 years after Project completion). If this affordability restriction were to be foreclosed on, the City would be obligated to repay the NSP2 funds.

To protect against this possibility, the City will not be subordinating the affordability restrictions associated with the NSP2 loan. In so doing, it will control the foreclosure remedies associated with NSP2 loan restrictions.

/s/

JULIA H. COOPER
Assistant Director of Finance

/s/

LESLYE CORSIGLIA
Director, Housing Department

For questions, please contact Julia Cooper, Assistant Director of Finance at 408-535-7011.