

RESOLUTION NO. _____**A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY TO THE FORMER MILPITAS REDEVELOPMENT AGENCY CONFIRMING THE ISSUANCE OF TAX ALLOCATION REFUNDING BONDS PURSUANT TO AN INDENTURE OF TRUST, APPROVING PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND PROVIDING OTHER MATTERS RELATING THERETO**

WHEREAS, pursuant to Section 34172(a) of the California Health and Safety Code (unless otherwise noted, all Section references hereinafter being to such Code), the Milpitas Redevelopment Agency (the “Former Agency”) has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173, the Successor Agency to the Former Milpitas Redevelopment Agency (the “Successor Agency”) has become the successor entity to the Former Agency; and

WHEREAS, prior to dissolution of the Former Agency, the Former Agency issued its Milpitas Redevelopment Agency Redevelopment Project Area No. 1, 2003 Tax Allocation Bonds (the “2003 Bonds”), in the initial principal amount of \$200,000,000, for the purpose of refinancing and financing redevelopment activities of the Former Agency; and

WHEREAS, Section 34177.5 authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “Refunding Law”) for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the “Savings Parameters”); and

WHEREAS, the Successor Agency, pursuant to Resolution No. SA 6 (the “SA Resolution”), adopted on December 2, 2014, approved the issuance of its Successor Agency to the Former Milpitas Redevelopment Agency Tax Allocation Refunding Bonds (Redevelopment Project Area No. 1) (the “Refunding Bonds”), subject to the Savings Parameters being met, and requested that the Oversight Board for the Successor Agency (the “Oversight Board”) approve the issuance of the Refunding Bonds by the Successor Agency; and

WHEREAS, the Oversight Board, by Resolution No. 50 (the “OB Resolution”) adopted on December 2, 2014, approved the issuance of the Refunding Bonds by the Successor Agency, and the OB Resolution, together with additional materials, were submitted to the California Department of Finance for its approval of the OB Resolution and the issuance of the Refunding Bonds; and

WHEREAS, the Successor Agency, with the assistance of its disclosure counsel, Jones Hall, A Professional Law Corporation, has prepared a draft of the Official Statement for the Refunding Bonds (the “Official Statement”), which contains information regarding the Refunding Bonds, the Former Agency and the Successor Agency, the preliminary form of which is on file with the Secretary of the Successor Agency; and

WHEREAS, the Successor Agency, with the aid of its staff, has reviewed the Official Statement and wishes at this time to approve its use and distribution as in the public interests of the Successor Agency and applicable taxing entities; and

WHEREAS, in connection with the issuance of the Refunding Bonds, the Successor Agency also desires to approve the form of and authorize the execution and delivery of a Depository Agreement, by and between the Successor Agency and U.S. Bank National Association (the “Depository Agreement”), appointing U.S. Bank National Association to hold certain bond proceeds of the Successor Agency; and

NOW, THEREFORE, BE IT RESOLVED by the Board of the Successor Agency to the Former Milpitas Redevelopment Agency, as follows:

1. Confirmation of Approval of Issuance of the Refunding Bonds. The Successor Agency hereby confirms its actions in the SA Resolution authorizing and approving the issuance and sale of the Refunding Bonds.

2. Approval of Official Statement. The Successor Agency hereby approves the preliminary Official Statement in substantially the form on file with the Secretary of the Successor Agency. Distribution of the preliminary Official

Statement by the Successor Agency and its underwriters (the "Underwriters") is hereby approved and, prior to the distribution of the preliminary Official Statement, the Chair, the Executive Director and the Assistant Executive Director of the Successor Agency (each, an "Authorized Officer"), each acting alone, are authorized and directed, on behalf of the Successor Agency, to deem the preliminary Official Statement "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule"). The execution of the final Official Statement, which shall include such changes and additions thereto deemed advisable by any Authorized Officer executing the same, and such information permitted to be excluded from the preliminary Official Statement pursuant to the Rule, is hereby approved for delivery to the purchasers of the Refunding Bonds, and the Authorized Officers, each acting alone, are authorized and directed to execute and deliver the final Official Statement for and on behalf of the Successor Agency, to deliver to the Underwriters a certificate with respect to the information set forth therein and to deliver to the Underwriters a Continuing Disclosure Certificate or Agreement substantially in the form appended to the final Official Statement.

3. Approval of Depository Agreement. The Successor Agency hereby approves the Depository Agreement appointing U.S. Bank National Association to hold certain bond proceeds of the Successor Agency. Each Authorized Officer is hereby authorized and directed to execute and deliver the Depository Agreement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary of the Successor Agency, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the Depository Agreement. The Successor Agency hereby authorizes the delivery and performance of the Depository Agreement.

4. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in connection with the issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

5. Effective Date. This Resolution shall take effect from and after the date of approval and adoption thereof.

PASSED AND ADOPTED this _____ day of _____, 2015, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTEST:

APPROVED:

Mary Lavelle, Successor
Agency Secretary

Jose S. Esteves, Successor
Agency Chair

APPROVED AS TO FORM:

Michael J. Ogaz, Successor
Agency Counsel

MEMORANDUM

Successor Agency to the Former Milpitas Redevelopment Agency



To: Board of Directors – Successor Agency to the Former Milpitas Redevelopment Agency

From: Emma C. Karlen, Successor Agency Assistant Executive Director

Subject: **Preliminary Official Statement for the Successor Agency to the Former Milpitas Redevelopment Agency 2015 Tax Allocation Refunding Bonds**

Date: January 23, 2015

Staff recommends that the Successor Agency to the Former Milpitas Redevelopment Agency adopt a resolution confirming the issuance of the 2015 Tax Allocation Refunding Bonds (the “Refunding Bonds”) and approving the form, and authorizing the distribution of, a preliminary official statement for such Refunding Bonds (“Preliminary Official Statement”). The near final version of the Preliminary Official Statement is attached for your review and approval.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board by the Successor Agency’s financing team. The distribution of the Preliminary Official Statement by the Successor Agency is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Refunding Bonds. If the Board concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Refunding Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been “deemed final.”

The Securities and Exchange Commission (the “SEC”), the agency with regulatory authority over the Successor Agency’s compliance with the federal securities laws, has issued guidance as to the duties of the Board with respect to its approval of the Preliminary Official Statement. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC indicated that, if a member of the Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Refunding Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

Purpose of Financing

The Refunding Bonds will be issued to refund the outstanding 2003 Tax Allocation Bonds.

Documents for Approval; Security for the Refunding Bonds

The document submitted for approval is the Preliminary Official Statement. A description of the security for the Refunding Bonds is set forth on pages 4 and 15 of the Preliminary Official Statement.

Risks Relating to Repayment and Tax-Exempt Status of the Refunding Bonds

A description of the risks relating to repayment of the Refunding Bonds, including their tax-exempt status, is described in the section of the Preliminary Official Statement entitled, "Risk Factors" commencing on page 51 of the Preliminary Official Statement.

Requested Approvals

Staff requests that the Board adopt a resolution approving the issuance of the Refunding Bonds and the form of the attached Preliminary Official Statement and distribution thereof by the underwriters of the Refunding Bonds. Such resolution also authorizes the "Authorized Officers" who are identified as the Successor Agency Chair, the Successor Agency Executive Director, or the Successor Agency Assistant Executive Director of the City to subsequently execute and deliver the final Official Statement and certain certificates to the underwriters of the Refunding Bonds and to take other official actions necessary for issuing the Refunding Bonds, on behalf of the Successor Agency.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2015

NEW ISSUE—BOOK-ENTRY

**RATINGS: S&P: "___"
See "CONCLUDING INFORMATION - Rating"**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described in this Official Statement, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest on the 2015 Bonds is exempt from California personal income taxes. See "TAX MATTERS."

\$130,000,000*

**SUCCESSOR AGENCY TO THE FORMER MILPITAS REDEVELOPMENT AGENCY
2015 TAX ALLOCATION REFUNDING BONDS
(REDEVELOPMENT PROJECT AREA NO. 1)**

Dated: Delivery Date

Due: September 1, as shown on the inside front cover

Purpose of the 2015 Bonds. The above captioned bonds (the "2015 Bonds") are being issued by the Successor Agency to the Former Milpitas Redevelopment Agency (the "Successor Agency"), as successor to the Milpitas Redevelopment Agency (the "Former Agency") to (i) refund certain outstanding bonds issued by the Former Agency payable from tax increment revenue generated in the Former Agency's Redevelopment Project Area No. 1 (the "Project Area"), (ii) establish a debt service reserve account for the 2015 Bonds and (iii) pay the costs of issuing the 2015 Bonds.

Book-Entry. The 2015 Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers ("Beneficial Owners") in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the 2015 Bonds.

Payments. Annual principal of, premium if any, and semiannual interest on the 2015 Bonds due March 1 and September 1 of each year, commencing September 1, 2015, will be payable by U.S. Bank National Association, as Trustee (the "Trustee"), to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the 2015 Bonds. See "THE 2015 BONDS."

Redemption. The 2015 Bonds are subject to optional redemption prior to maturity. See "THE 2015 BONDS – Redemption."

Security for the 2015 Bonds. The 2015 Bonds are payable from and secured by a pledge of (i) Tax Revenues (as described herein) allocable to the Successor Agency under the Dissolution Act (described herein) to be derived from the Project Area, (ii) moneys in certain funds and accounts established under the Indenture of Trust, dated as of March 1, 2015 (the "Indenture"), by and between the Successor Agency and the Trustee and (iii) moneys deposited in the Redevelopment Property Tax Trust Fund established pursuant to the Dissolution Act, as further described in this Official Statement. See "SECURITY FOR THE 2015 BONDS."

The Successor Agency will establish a reserve account for the 2015 Bonds, which may be in the form of a debt service reserve surety bond. See "SECURITY FOR THE 2015 BONDS – Debt Service Reserve Account."

Insurance Policy or Reserve Account Surety Bond. The Successor Agency has applied for a municipal bond insurance policy and a debt service reserve account surety bond and will decide whether to purchase any such municipal bond insurance policy or debt service reserve account surety bond in connection with the pricing of the 2015 Bonds.

* Preliminary; subject to change.

Limited Obligations. The 2015 Bonds are special obligations of the Successor Agency and are secured by an irrevocable pledge of, and are payable as to principal, interest and premium, if any, from Tax Revenues and other funds described in this Official Statement. The 2015 Bonds, interest and premium, if any, thereon are not a debt of the City of Milpitas (the "City"), the County of Santa Clara (the "County"), the State of California (the "State") or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions except the Successor Agency is liable thereon. The 2015 Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. Neither the members of the Successor Agency, the Oversight Board of the Successor Agency, the County Board of Supervisors nor any persons executing the 2015 Bonds are liable personally on the 2015 Bonds.

This cover page of the Official Statement contains information for quick reference only. It is not a complete summary of the 2015 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described in this Official Statement. See "RISK FACTORS."

The 2015 Bonds are offered, when, as and if issued, subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel to the Successor Agency. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the Successor Agency. In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City, as Successor Agency general counsel. Certain legal matters will be passed on for the Underwriters by Quint & Thimmig LLP, Underwriters' Counsel. It is anticipated that the 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about March 11, 2015.

The date of this Official Statement is February __, 2015.

MATURITY SCHEDULE

\$130,000,000*

**SUCCESSOR AGENCY TO THE FORMER MILPITAS REDEVELOPMENT AGENCY
2015 TAX ALLOCATION REFUNDING BONDS
(REDEVELOPMENT PROJECT AREA NO. 1)**

Maturity Date (September 1)	Principal Amount*	Interest Rate	Yield	Price	CUSIP [†] (Base _____)
2015					
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					

*Preliminary; subject to change.

† Copyright 2015, CUSIP Global Services, and a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the Successor Agency nor the Underwriters assume any responsibility for the accuracy of the CUSIP data.

**SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
MILPITAS, CALIFORNIA**

CITY COUNCIL/SUCCESSOR AGENCY BOARD

Mayor Jose Esteves, *Mayor*
Carmen Montano, *Vice-Mayor*
Debbie Indihar Giordano, *Council Member*
Garry Barbadillo, *Council Member*
Marsha Grilli, *Council Member*

CITY/SUCCESSOR AGENCY STAFF

Thomas C. Williams, *City Manager*
Emma C. Karlen, *Assistant City Manager/Director of Financial Services*
Steven McHarris, *Planning and Neighborhood Services Director*
Steven Machida, *Acting Public Works Director/City Engineer*
Mary Lavelle, *City Clerk*
Michael J. Ogaz, *City Attorney*

SPECIAL SERVICES

Financial Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Bond and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Fiscal Consultant

Fraser & Associates
Roseville, California

Trustee

U.S. Bank National Association
San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2015 Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2015 Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the Successor Agency or the Project Area since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2015 Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2015 Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its 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.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriters may over allot or take other steps that stabilize or maintain the market price of the 2015 Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriters may discontinue such market stabilization at any time. The Underwriters may offer and sell the 2015 Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriters.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the 2015 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE SUCCESSOR AGENCY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Website. The City maintains an Internet website, but the information on the website is not incorporated in this Official Statement.

OFFICIAL STATEMENT

\$130,000,000*
SUCCESSOR AGENCY TO THE FORMER MILPITAS REDEVELOPMENT AGENCY
2015 TAX ALLOCATION REFUNDING BONDS
(REDEVELOPMENT PROJECT AREA NO. 1)

This Official Statement, including the cover page, is provided to furnish information in connection with the sale by the Successor Agency to the Former Milpitas Redevelopment Agency (the "**Successor Agency**") of the captioned bonds (the "**2015 Bonds**").

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description and guide to, and is qualified by, the more complete and detailed information contained in the entire Official Statement including the cover page and the appendices, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the 2015 Bonds to potential investors is made only by means of the entire Official Statement.

Authority and Use of Proceeds

The Successor Agency is issuing the 2015 Bonds pursuant to authority granted by Part 1 (commencing with Section 33000) and Part 1.85 of Division 24 (commencing with Section 34170) of the California Health and Safety Code (the "**Law**"), Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Refunding Law**"), and an Indenture of Trust dated as of March 1, 2015 (the "**Indenture**") by and between the Successor Agency and U.S. Bank National Association, as trustee (the "**Trustee**"). See "THE 2015 BONDS – Authority for Issuance."

The Successor Agency is issuing the 2015 Bonds in order to defease and redeem the outstanding Milpitas Redevelopment Agency Redevelopment Project Area No. 1 2003 Tax Allocation Bonds (the "**Prior Bonds**") issued by the Milpitas Redevelopment Agency (the "**Former Agency**"). The proceeds of the Prior Bonds were used to finance or refinance redevelopment activities in the Project Area (as defined below).

Proceeds of the 2015 Bonds will also be used to establish a debt service reserve account and pay the costs of issuing the 2015 Bonds.

The City and the Successor Agency

The City and the County. The City of Milpitas (the "**City**") is located in the County of Santa Clara (the "**County**"). The City covers approximately 13.5 square miles and is located 45

* Preliminary; subject to change.

miles south of San Francisco, and is adjacent to the City of San Jose in the northern part of the County. The City's estimated population at January 1, 2014 was approximately 70,100. The City was incorporated in 1954 as a general law city. It is administered by a Council-Manager form of government. There are four City Council members who are elected at-large for staggered four –year terms, and the Mayor is selected every two years in a separate citywide election.. For certain information regarding the City, see "APPENDIX G - CITY OF MILPITAS AND SANTA CLARA COUNTY GENERAL INFORMATION." The 2015 Bonds are not an obligation of the City or the County.

Former Agency. The Successor Agency is the successor entity to the Former Agency, which was dissolved under the Dissolution Act (described below). The Former Agency was a redevelopment agency with all of the powers vested in such entities under the Community Redevelopment Law (the "**Redevelopment Law**"). The City Council of the City (the "**City Council**") was the legislative body of the Former Agency and is the governing board of the Successor Agency.

Dissolution Act. On June 29, 2011, Assembly Bill No. 26 ("**AB 1X 26**") was enacted together with a companion bill, Assembly Bill No. 27 ("**AB 1X 27**"). The provisions of AB 1X 26 provided for the dissolution of all redevelopment agencies statewide as of February 1, 2012. The provisions of AB 1X 27 permitted redevelopment agencies to avoid such dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al., v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB 1X 26 and AB 1X 27. The California Supreme Court largely upheld AB 1X 26, invalidated AB 1X 27, and held that AB 1X 26 may be severed from AB 1X 27 and enforced independently. As a result of AB 1X 26 and the decision of the California Supreme Court in the California Redevelopment Association case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB 1X 26 relating to the dissolution and wind down of former redevelopment agency affairs are found in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("**AB 1484**"), enacted as Chapter 26, Statutes of 2012. The provisions of Part 1.85 are referred to in this Official Statement as the "**Dissolution Act**".

Successor Agency. Pursuant to Section 34173 of the Dissolution Act, the City acts as the Successor Agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public and legal entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

The Redevelopment Plan and the Project Area

Redevelopment Plan. The City Council established Project Area No. 1 (the "**Original Area**") and approved the Preliminary Plan for Project Area No. 1 (the "**Original Redevelopment Plan**") pursuant to Ordinance No. 192, adopted on September 21, 1976. Since its adoption, the Original Redevelopment Plan has been amended several times, including, in 2003, when it was amended and restated by the Amended and Restated Redevelopment Plan for the Milpitas

Redevelopment Project Area No. 1 (the “**Amended and Restated Redevelopment Plan**”) approved by the City Council on June 17, 2003 pursuant to Ordinance No. 192.14. The Amended and Restated Redevelopment Plan has been amended several times since its adoption and, as so amended, is referred to in this Official Statement as, the “**Redevelopment Plan**”).

In 1993, the City Council established the Former Agency’s second redevelopment project area, the Great Mall Redevelopment Project (the “**Great Mall Project Area**”) and approved the Redevelopment Plan for the Great Mall Redevelopment Project (as amended from time to time, the “**Great Mall Redevelopment Plan**”) pursuant to Ordinance No. 192.8, adopted on November 3, 1993. The Great Mall Redevelopment Plan does not provide for the use of tax increment revenues to finance redevelopment activities within the Great Mall Project Area and therefore does not generate any tax increment revenues.

In 2006, the Amended and Restated Redevelopment Plan was amended to merge the Project Area with the Great Mall Project Area to permit tax increment revenues from the Project Area to be used for redevelopment activities in the Great Mall Project Area. The Project Area and the Great Mall Project Area retained separate redevelopment plans after the merger. As discussed more fully in the sections of this Official Statement entitled, “SECURITY FOR THE 2015 BONDS,” because the Great Mall Project Area does not generate tax increment revenue, the discussion in this Official Statement regarding the Former Agency’s project areas and related redevelopment plans is limited to the Project Area.

See “THE PROJECT AREA - The Redevelopment Plan” for further information about the Redevelopment Plan.

Project Area. The Original Area of the Project Area is composed of approximately 577 acres of land. In 1979, the Original Area was amended to add approximately 483 acres (the “**First Amendment Area**”). In 1982, the Original Area was further amended to add approximately 479 acres (the “**Second Amendment Area**”). In 2003, the Original Area was further amended to add approximately 691 acres (the “**Midtown Area**” and together with the Original Area, the First Amendment Area and the Second Amendment Area, the “**Project Area**”) thereby resulting in a total of approximately 2,230 acres within the Project Area. The Project Area includes low density and medium density residential, industrial, commercial and public land uses and encompasses the City’s downtown core. The Project Area also includes 245 acres out of 437 acres within the City designated for medium to high-density development pursuant to the City’s Transit Area Specific Plan. The City’s Transit Area Specific Plan was adopted in June 2008 in anticipation of the extension of the Bay Area Rapid Transit (“**BART**”) system to the City and in an effort to attract major retailers to the City and to provide additional housing and amenities such as parks, retail stores and restaurants to the City’s residents. Development is anticipated to occur in areas adjacent to a future Milpitas BART train station and two Santa Clara Valley Transportation Authority (“**VTA**”) light rail stations.

Tax Allocation Financing

Prior to the enactment of AB X1 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues, and the Santa Clara County Auditor-Controller (the “**County Auditor-Controller**”) apportioned tax increment revenue to all redevelopment agencies in two roughly equal payments in December and April of each fiscal year. An additional payment was made in August to allocate any revenues that had not previously been paid. This method provided that the taxable valuation of the property within a

redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopted the redevelopment plan became the base year valuation. Assuming the taxable valuation never dropped below the base year level, the taxing agencies receiving property taxes thereafter received only that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion of property taxes produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of redevelopment agency obligations.

Authority to Issue Refunding Bonds

Section 34177.5(a)(1) authorizes the issuance of refunding bonds to provide savings to the successor agency, provided that (i) the total interest cost to maturity on the refunding bonds or other indebtedness plus the principal amount of the refunding bonds or other indebtedness does not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (ii) the principal amount of the refunding bonds or other indebtedness does not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance. See “SECURITY FOR THE 2015 BONDS.”

The Dissolution Act authorizes each successor agency to issue refunding bonds secured by a pledge of, and lien on, the revenues that were pledged to the bond or other indebtedness being refunded as well as moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (defined below) established by the county auditor-controller for the successor agency by the Dissolution Act.

Successor agencies have no power to levy property taxes and must rely on the allocation of taxes as described above. See “RISK FACTORS.”

Security for the 2015 Bonds

The 2015 Bonds are payable only from Tax Revenues, moneys in certain funds and accounts held by the Trustee under the Indenture and any other moneys deposited from time to time in the Redevelopment Property Tax Trust Fund (as defined below) pursuant to the pledge and lien created with respect to the 2015 Bonds by Section 34177.5(g) of the Law, as described in this Official Statement. See “Limited Obligation” below.

The Dissolution Act requires the County Auditor-Controller to annually determine the amount of property taxes that would have been allocated to the Former Agency from the Project Area had the Former Agency not been dissolved pursuant to the operation of AB X1 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller (the “**Redevelopment Property Tax Trust Fund**”) pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the dissolved Former Agency, with the same lien priority and legal effect as if such bonds had been issued prior to the effective date of AB X1 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor

Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE 2015 BONDS – Recognized Obligation Payment Schedules").

The Dissolution Act further provides that property tax revenues pledged to any bonds authorized under the Dissolution Act, such as the 2015 Bonds, are taxes allocated to the successor agency pursuant to the provisions of the Redevelopment Law and the State Constitution.

Under the Dissolution Act, property tax revenues are allocated to the Successor Agency on a semi-annual basis (on January 2 and June 1) based on a Recognized Obligation Payment Schedule submitted by the Successor Agency to an oversight board established for the Successor Agency (the "**Oversight Board**") and the State Department of Finance (the "**DOF**"). The County Auditor-Controller distributes funds from the Redevelopment Property Tax Trust Fund for each six-month period in the order specified in the Dissolution Act. See "SECURITY FOR THE 2015 BONDS – Recognized Obligation Payment Schedules."

In accordance with the Dissolution Act, the term "**Tax Revenues**" is defined under the Indenture as all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, excluding therefrom all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law unless such payments are subordinated to payments on the 2015 Bonds or any additional Bonds pursuant to Section 33607.5(e) of the Redevelopment Law and 34177.5(c) of the Dissolution Act. The Dissolution Act further authorizes the Successor Agency to issue refunding bonds secured by the pledge and lien created with respect to the 2015 Bonds by Section 34177.5(g) of the Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund and the 2015 Bonds are secured by such moneys. The Successor Agency's statutory pass-through obligations are discussed in "SECURITY FOR THE 2015 BONDS."

Limited Obligation

The 2015 Bonds are special obligations of the Successor Agency and are secured by, and are payable from the moneys described in the Indenture. The 2015 Bonds, interest and premium, if any, are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State nor any of their political subdivisions (except the Successor Agency) are liable thereon. The 2015 Bonds, interest thereon and premium, if any, are not payable out of any funds or properties other than those set forth in the Indenture. No member, officer, agent, or employee of the Successor Agency, the Oversight Board, the County Board of Supervisors or any person executing the 2015 Bonds is liable personally on the 2015 Bonds by reason of their issuance.

Debt Service Reserve Account

The Successor Agency will establish a debt service reserve account (the "**Reserve Account**") in an amount equal to the "**Reserve Requirement**" (as defined below), to be held in the Reserve Account. The Reserve Requirement may also be met with the deposit of a "**Qualified Reserve Account Credit Instrument**" (as defined below) in the form of a reserve

account surety bond or policy. See "SECURITY FOR THE 2015 BONDS – Debt Service Reserve Account."

Application for Bond Insurance and Reserve Account Surety Bond

The Successor Agency has made application for bond insurance for the 2015 Bonds and for a reserve account surety bond. Should the Successor Agency select a bond insurer and/or reserve account surety provider, then the Successor Agency will release such information prior to the offering of the 2015 Bonds, and the Official Statement, including the summary of legal documents included in Appendix A, will be revised to reflect the terms of the commitment to issue such policies.

Professionals Involved in the Offering

Fieldman, Rolapp & Associates, Inc., Irvine, California, served as financial advisor to the Successor Agency and advised the Successor Agency with respect to the financial structure of the refinancing and as to other financial aspects of the transaction. *Payment of the fees and expenses of the financial advisor is contingent upon the sale and delivery of the 2015 Bonds.*

Fraser & Associates, Roseville, California, has acted as fiscal consultant to the Successor Agency (the "**Fiscal Consultant**") and advised the Successor Agency as to the taxable values and Tax Revenues projected to be available to pay debt service on the 2015 Bonds as referenced in this Official Statement. The report prepared by the Fiscal Consultant is referred to as the "**Fiscal Consultant's Report**" and is attached as Appendix H.

All proceedings in connection with the issuance of the 2015 Bonds are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the Successor Agency. Jones Hall is also acting as Disclosure Counsel. Certain legal matters will be passed on for the Underwriters by Quint & Thimmig LLP. In addition, certain legal matters will be passed upon for the Agency by the City Attorney of the City. *Payment of the fees and expenses of Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the sale and delivery of the 2015 Bonds.*

Further Information

Brief descriptions of the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2015 Bonds, the Indenture, the Successor Agency, the Former Agency, the Project Area and the City are included in this Official Statement. Such descriptions and information do not purport to be comprehensive or definitive. All references in this Official Statement to the Redevelopment Law, the Dissolution Act, the Refunding Law, the 2015 Bonds, the Indenture, the Constitution and the laws of the State as well as the proceedings of the Former Agency, the Successor Agency, the County and the City are qualified in their entirety by reference to such documents and laws. References in this Official Statement to the 2015 Bonds are qualified in their entirety by the form included in the Indenture and by the provisions of the Indenture. Capitalized terms used in this Official Statement and not otherwise defined shall have the meanings given to such terms as set forth in the Indenture.

During the period of the initial offering of the 2015 Bonds, copies of the draft forms of all documents are available from the Underwriters or from the City Clerk, City of Milpitas, 455 East Calaveras Boulevard, Milpitas, California 95035.

REFUNDING PLAN

The 2015 Bonds are being issued to refund the outstanding Prior Bonds of the Former Agency. The proceeds of the Prior Bonds were used to finance or refinance redevelopment activities in the Project Area.

Redemption of the Prior Bonds

Pursuant to the Irrevocable Refunding Instructions (the “**Refunding Instructions**”), by and between the Successor Agency and U.S. Bank National Association, as trustee of the Prior Bonds (in such capacity, the “**Escrow Bank**”), the Successor Agency will deliver a portion of the proceeds of the 2015 Bonds, along with other available amounts, to the Escrow Bank for deposit in an escrow account established under the Refunding Instructions (the “**Refunding Fund**”).

The Escrow Bank will hold such amounts uninvested. From the moneys on deposit in the Refunding Fund, the Escrow Bank will pay, on or about the date the 2015 Bonds are issued, the outstanding principal amount of the Prior Bonds and the accrued interest on the Prior Bonds to the redemption date.

*The amounts held by the Escrow Bank in the Refunding Fund are pledged solely to the amounts due and payable by the Successor Agency under the Indenture of Trust dated as of November 1, 2003, between the Former Agency and U.S. Bank National Association, as trustee for the Prior Bonds (the “**Prior Indenture**”). The funds deposited in the Refunding Fund will not be available for the payment of debt service with respect to the 2015 Bonds.*

The Prior Bonds were issued, in part, to refund bonds issued by the Former Agency in 1996 and 2000. In connection with the issuance of the Prior Bonds, escrows were established that defeased the bonds issued in 1996 and 2000 to their maturity dates. Due to the interest rates on the State and Local Government securities on deposit in those escrows, a transferred proceeds penalty in the amount of \$_____ payable to the Internal Revenue Service will be imposed on the Successor Agency as a consequence of the refunding of the Prior Bonds. Such transferred proceeds penalty will be paid from the proceeds of the 2015 Bonds.

Verification of Mathematical Accuracy

The sufficiency of the deposits in the Refunding Fund for those purposes will be verified by Grant Thornton LLP, Minneapolis, Minnesota (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY.” Assuming the accuracy of the Verification Agent’s computations, as a result of the deposit and application of funds as provided in the Refunding Fund, the Successor Agency’s obligations under the Prior Indenture will be discharged.

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

Estimated Sources and Uses of Funds

The estimated sources and uses of funds are summarized below.

	<u>Amount</u>
Sources:	
Principal Amount of 2015 Bonds	
<i>Plus:</i> Prior Bonds - Available Funds	
<i>Plus:</i> Available Successor Agency Moneys ⁽¹⁾	
<i>Less:</i> Underwriters' Discount	
<i>Plus:</i> Net Original Issue Premium/ <i>Less:</i> Original Issue Discount	
Total Sources	
Uses:	
Redemption of Prior Bonds	
Deposit to Reserve Account	
Excess Transferred Proceeds Penalty ⁽²⁾	
Costs of Issuance Fund ⁽³⁾	
Total Uses	

(1) Represents moneys received by the Successor Agency from the Redevelopment Property Tax Trust Fund pursuant to previous Recognized Obligation Payment Schedules.

(2) Represents a penalty payable to the Internal Revenue Service as a consequence of refunding the Prior Bonds.

(3) Costs of Issuance include fees and expenses for Bond Counsel, Disclosure Counsel, Financial Advisor, Fiscal Consultant, Trustee, premium for bond insurance and a reserve account surety bond or policy, if any, City, Successor Agency administrative staff, Successor Agency Counsel, printing expenses, rating fee, and other costs related to the issuance of the 2015 Bonds.

Debt Service Schedule

The following table shows the annual debt service schedule for the 2015 Bonds, assuming no optional redemption of the 2015 Bonds.

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
Total			

THE 2015 BONDS

Authority for Issuance

The issuance of the 2015 Bonds and the execution and delivery of the Indenture were authorized by the Successor Agency pursuant to Resolution No. SA 6 adopted on December 2, 2014 (the "**Resolution**"), and approved by the Oversight Board pursuant to Resolution No. 50 adopted on December 2, 2014 (the "**Oversight Board Resolution**").

Pursuant to the Dissolution Act, written notice of the Oversight Board Resolution was provided to the DOF. On January 13, 2015, the DOF provided a letter to the Successor Agency stating that based on the DOF's review and application of the law, the Oversight Board Resolution approving the 2015 Bonds is approved by the DOF. See "APPENDIX F – STATE DEPARTMENT OF FINANCE APPROVAL LETTER."

Section 34177.5(f) of the Dissolution Act provides that when, as here, a successor agency issues refunding bonds with the approval of the oversight board and the DOF, the oversight board may not unilaterally approve any amendments to or early termination of the bonds, and the scheduled payments on the bonds shall be listed in the Recognized Obligation Payment Schedule and are not subject to further review and approval by the DOF or the California State Controller.

Description of the 2015 Bonds

The 2015 Bonds will be issued and delivered in fully-registered form without coupons in the denomination of \$5,000 or any integral multiple thereof for each maturity, initially in the name of Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), New York, New York, as registered owner of all 2015 Bonds. The initially executed and delivered 2015 Bonds will be dated the date of delivery (the "**Closing Date**") and mature on September 1 in the years and in the amounts shown on the inside cover page of this Official Statement.

Interest on the 2015 Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the rates shown on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 in each year, commencing on September 1, 2015, by check mailed to the registered owners thereof or upon the request of the Owners of \$1,000,000 or more in principal amount of 2015 Bonds, by wire transfer to an account in the United States which shall be designated in written instructions by such Owner to the Trustee on or before the Record Date preceding the Interest Payment Date. "Record Date" as defined in the Indenture means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

One fully-registered bond will be issued for each maturity of the 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX C – BOOK-ENTRY ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or before September 1, 20__, are not subject to optional redemption prior to maturity. The Bonds maturing on and after September 1, 20_, are subject to redemption, at the option of the Successor Agency on any date on or after

September 1, 20__, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. The Trustee on behalf of and at the expense of the Successor Agency shall mail (by first class mail, postage prepaid) notice of any redemption at least 30 but not more than 60 days prior to the redemption date, to (i) the Owners of any 2015 Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but such mailing will not be a condition precedent to a redemption and neither failure to receive such a notice nor any defect therein will affect the validity of the proceedings for the redemption of such 2015 Bonds or the cessation of the accrual of interest on the 2015 Bonds to be redeemed.

The redemption notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the 2015 Bonds to be redeemed, state the individual number of each 2015 Bond to be redeemed or state that all 2015 Bonds between two stated numbers (both inclusive) or all of the 2015 Bonds Outstanding are to be redeemed, and will require that such 2015 Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on the 2015 Bonds to be redeemed will not accrue from and after the redemption date.

The Successor Agency has the right to rescind any notice of the optional redemption of 2015 Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the 2015 Bonds then called for redemption, and such cancellation will not constitute an Event of Default. The Successor Agency and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Upon the payment of the redemption price of 2015 Bonds being redeemed, each check or other transfer of funds issued for such purpose will, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the 2015 Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of 2015 Bonds. In the event only a portion of any 2015 Bond is called for redemption, then upon surrender of such Bond the Successor Agency will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new 2015 Bond or 2015 Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 2015 Bond to be redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2015 Bonds so called for redemption have been duly deposited with the Trustee, the 2015 Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption. Whenever any 2015 Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make the selection, in such manner as the Trustee deems appropriate.

Parity Debt for Refunding Purposes Only

Parity Debt. The Indenture defines "**Parity Debt**" as any loan, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the 2015 Bonds as authorized by the Indenture. The Indenture authorizes the Successor Agency to issue Parity Debt that is payable from Tax Revenues on a parity basis with the 2015 Bonds, subject to the following conditions precedent:

(i) in the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) will be increased to the Reserve Requirement taking into account the additional Bonds to be issued;

(ii) in the case of Parity Debt not issued as additional Bonds under a Supplemental Indenture, the Parity Debt Instrument must state whether there will be a reserve account established with respect to such Parity Debt, and shall also set forth the amount, if any, to be deposited in such reserve account as well as the reserve requirement with respect to such Parity Debt; and

(iii) principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable.

The Indenture authorizes the issuance of Parity Debt only for refunding purposes provided that annual debt service on such Parity Debt is lower than annual debt service on the obligations being refunded during every year such obligations would otherwise be outstanding and the final maturity of any such Parity Debt does not exceed the final maturity of the obligations being refunded, as required by the Dissolution Act.

The Indenture does not allow the Successor Agency to issue obligations on a senior basis to the 2015 Bonds.

Subordinate Debt. The Indenture permits the Successor Agency to issue or incur loans, advances or indebtedness, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues, including revenue bonds and other debts and obligations scheduled for payment pursuant to Section 34183(a)(2) of the Redevelopment Law; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of the 2015 Bonds.

THE DISSOLUTION ACT

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Former Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Former Agency not been dissolved pursuant to the operation of AB 1X 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Successor Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Successor Agency will be considered indebtedness incurred by the Former Agency, with the same lien priority and legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provisions of the Redevelopment Law that existed prior to that date, and will be included in the Successor Agency's Recognized Obligation Payment Schedule (see "SECURITY FOR THE 2015 BONDS – Recognized Obligation Payment Schedules").

The Dissolution Act further provides that bonds authorized by the Dissolution Act to be issued by the Successor Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Successor Agency under the Dissolution Act, including the 2015 Bonds, are taxes allocated to the Successor Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution.

Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution and as provided in the Redevelopment Plan for the project area, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the applicable Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) To Taxing Agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the applicable Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the applicable Redevelopment Plan that added territory to the Project Area, as applicable (each, a "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) To the Former Agency/Successor Agency: Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the

interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within limitations established by the applicable Redevelopment Plan, following the date of issuance of the 2015 Bonds, when collected will be paid into a special fund of the Successor Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Successor Agency to pay the debt service on indebtedness incurred by the Former Agency or the Successor Agency to finance or refinance the redevelopment projects of the Former Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the January 1, 1989 date from paragraph (b) above.

SECURITY FOR THE 2015 BONDS

The County Auditor-Controller will deposit property tax revenues into the Redevelopment Property Tax Trust Fund pursuant to the requirements of the Dissolution Act, including *inter alia* Health and Safety Code sections 34183 and 34170.5(b). The 2015 Bonds are payable from and secured by Tax Revenues, moneys in certain funds and accounts held by the Trustee under the Indenture and any other moneys deposited with respect to the Project Area from time to time in the Redevelopment Property Tax Trust Fund pursuant to the pledge and lien created with respect to the 2015 Bonds by Section 34177.5(g) of the Law, as described in this Official Statement.

Pledge Under the Indenture

Except as described in "- Redevelopment Obligation Retirement Fund" below and as required to compensate or indemnify the Trustee, the 2015 Bonds and any Parity Debt are equally secured by a pledge of, security interest in and lien on all of the Tax Revenues including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, and the Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The 2015 Bonds and all Parity Debt are additionally secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Reserve Account. The 2015 Bonds are also equally secured by the pledge and lien created with respect to the 2015 Bonds by Section 34177.5(g) of the Law on moneys deposited from time to time in the Redevelopment Property Tax Trust Fund. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency are pledged to, or otherwise liable for, the payment of principal of or interest on the 2015 Bonds.

In consideration of the acceptance of the 2015 Bonds by purchasers of the 2015 Bonds, the Indenture will be deemed to be and will constitute a contract between the Successor Agency and the Owners from time to time of the 2015 Bonds, and the covenants and agreements set forth in the Indenture to be performed on behalf of the Successor Agency are for the equal and proportionate benefit, security and protection of all Owners of the 2015 Bonds without preference, priority or distinction as to security or otherwise of any of the 2015 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or in the Indenture.

Tax Revenues

Definition. "Tax Revenues" is defined in the Indenture to mean all taxes that were eligible for allocation to the Former Agency with respect to the Project Area and are allocated to the Successor Agency pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and that are deposited in the Redevelopment Property Tax Trust Fund for transfer to the Successor Agency for deposit into the Redevelopment Obligation Retirement Fund, excluding therefrom all amounts required to be paid to taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless such payments are subordinated to payments on the 2015 Bonds or any additional Bonds pursuant to Section 33607.5(e) of the Law and 34177.5(c) of the Dissolution Act.

Housing Set-Aside

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

The Dissolution Act eliminates the characterization of certain tax increment revenues as Housing Set-Aside. As a result, and because the Successor Agency has no obligations that are payable from Housing Set-Aside, the former Housing Set-Aside is available to pay debt service on the 2015 Bonds; the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled “THE PROJECT AREA – Projected Tax Revenues and Estimated Debt Service Coverage,” assumes the availability of the former Housing Set-Aside for this purpose.

Flow of Funds Under the Indenture

General. The Successor Agency previously established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and agrees to hold and maintain the Redevelopment Obligation Retirement Fund as long as any of the 2015 Bonds are Outstanding.

Deposit in Redevelopment Obligation Retirement Fund; Transfer to Debt Service Fund. The Indenture provides that the Successor Agency will deposit all of the Tax Revenues received with respect to each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency. All Tax Revenues received by the Successor Agency in excess of the amount required to pay debt service on the 2015 Bonds and any Parity Debt coming due in the applicable Semiannual Period and except as may be provided to the contrary in the Indenture or in any Supplemental Indenture or Parity Debt Instrument, will be released from the pledge and lien hereunder and will be applied in accordance with the Law, including but not limited to the payment of debt service on any Subordinate Debt. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2015 Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in the Indenture and in any Supplemental Indenture.

Deposit of Amounts by Trustee. A trust fund to be known as the Debt Service Fund, will be held in trust by the Trustee under the Indenture. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments, moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

Interest Account. On or before the fourth (4th) Business Day preceding each Interest Payment Date, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account

on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds and any Parity Debt on such Interest Payment Date. No such deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds and any Parity Debt. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the 2015 Bonds and any Parity Debt as it becomes due and payable.

Principal Account. On or before the fourth (4th) Business Day prior to the September 1 on which the principal of the 2015 Bonds becomes due and payable, and at maturity, in each year beginning September 1, 2015, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on the 2015 Bonds and any Parity Debt. No such deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the outstanding 2015 Bonds and any Parity Debt. All moneys in the Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of the 2015 Bonds and any Parity Debt as it becomes due and payable.

Sinking Account. No later than the fourth (4th) Business Day preceding each September 1 on which any 2015 Bonds are subject to mandatory redemption, the Successor Agency will withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds required to be redeemed on such September 1. No such deposit need be made to the Sinking Account if the amount contained therein is at least equal to the Sinking Account payments to become due on the next September 1 on all of the Outstanding Bonds and any Parity Debt. All moneys on deposit in the Sinking Account will be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it becomes due and payable upon redemption or purchase pursuant to the Indenture.

Reserve Account. Within the Debt Service Fund there will be established separate account known as the "Reserve Account" solely as security for payments payable by the Successor Agency pursuant to the Indenture and pursuant to any other Parity Debt Instrument, which will be held by the Trustee in trust for the benefit of the Owners of the Bonds and any Parity Debt. The Reserve Requirement for the 2015 Bonds may be satisfied by the delivery of a debt service reserve account surety bond on the Closing Date with respect to the 2015 Bonds. In that event, the Successor Agency would have no obligation to replace such debt service reserve account surety bond or to fund the Reserve Account with cash if, at any time that the 2015 Bonds are Outstanding, amounts are not available under the debt service reserve account surety bond.

Except as provided in the preceding paragraph, in the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee will promptly notify the Successor Agency of such fact. Upon receipt of any such notice and as promptly as is permitted by the Law, the Successor Agency will transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account.

Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the optional redemption provisions of the Indenture, other than mandatory Sinking Account redemption of Term Bonds, the Trustee will withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the 2015 Bonds to be redeemed on such date, pursuant to the Indenture. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the 2015 Bonds to be redeemed pursuant to an optional redemption on the date set for such redemption pursuant to the Indenture, other than mandatory Sinking Account redemption of Term Bonds. Interest due on 2015 Bonds to be redeemed on the date set for redemption will, if applicable, be paid from funds available therefor in the Interest Account.

Debt Service Reserve Account

Definition of Reserve Requirement. The Indenture defines "**Reserve Requirement**" to mean, with respect to the 2015 Bonds and any Parity Debt issued as Bonds pursuant to a Supplemental Indenture, the lesser of (i) 125% of the average Annual Debt Service with respect to the 2015 Bonds and such Parity Debt, as applicable or (ii) Maximum Annual Debt Service with respect to the 2015 Bonds and such Parity Debt, as applicable; provided, that in no event may the Successor Agency, in connection with the issuance of Parity Debt in the form of Bonds pursuant to a Supplemental Indenture be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, in the event the amount of any such deposit into the Reserve Account is so limited, the Reserve Requirement is required to, in connection with the issuance of such Parity Debt issued in the form of Bonds, be increased only by the amount of such deposit as permitted by the Code; and, provided further that the Successor Agency may meet all or a portion of the Reserve Requirement by depositing a Qualified Reserve Account Credit Instrument meeting the requirements of the Indenture.

The amount on deposit in the Reserve Account will be maintained at the Reserve Requirement at all times prior to the payment of the 2015 Bonds and any Parity Debt payable from the Reserve Account in full. If there are not sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Successor Agency will be obligated to continue making transfers as Tax Revenues become available until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there is on deposit therein a sum at least equal to the Reserve Requirement.

The Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of the 2015 Bonds and any Parity Debt in conformity with applicable provisions of the Code to the extent directed by the Successor Agency in writing to the Trustee. Additionally, the Successor Agency may, in its discretion, combine amounts on deposit in the Reserve Account and on deposit in any reserve account relating to any (but not necessarily all) Parity Debt in order to maintain a combined reserve account for the 2015 Bonds and any (but not necessarily all) Parity Debt.

Use of Moneys in the Reserve Account. All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers pursuant to any Parity Debt Instrument under the Indenture to the Interest Account, the Principal Account and the Sinking Account in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2015 Bonds then Outstanding, except that so long as the Successor Agency is not in default under the Indenture or under any Parity Debt Instrument, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before two Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account or be applied pro rata in accordance with any applicable provision of a Parity Debt Instrument.

All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and will be transferred to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made from the Reserve Account or will be applied pro rata as required by any Parity Debt Instrument, as applicable.

Qualified Reserve Account Credit Instrument. "Qualified Reserve Account Credit Instrument" is defined in the Indenture to mean (i) a debt service reserve account surety bond to the extent any is purchased on the Closing Date and (ii) an irrevocable standby or direct-pay letter of credit, insurance policy, or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) S&P or Moody's have assigned a long-term credit rating to such bank or insurance company of "A" or higher; (b) such letter of credit, insurance policy or surety bond has a term of at least 12 months; (c) such letter of credit, insurance policy or surety bond has a stated amount at least equal to the Reserve Requirement or, if such letter of credit, insurance policy or surety bond is being provided with respect to only a portion of the Reserve Requirement, such letter of credit, insurance policy or surety bond has a stated amount at least equal to that portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit, insurance policy or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

Limited Obligation

The 2015 Bonds are not a debt of the City, the County, the State or any of their political subdivisions except the Successor Agency, and none of the City, the County, the State or any of their political subdivisions except the Successor Agency are liable therefor. The 2015 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. No member of the Successor Agency, the Oversight Board or the Board of Supervisors of the County shall be individually or personally liable for the payment of the principal of or interest on the 2015 Bonds; but nothing contained in the Indenture relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

Recognized Obligation Payment Schedules

Submission of Recognized Obligation Payment Schedule. Not less than 90 days prior to each January 2 and June 1 or such other date specified in the Law as amended after the date of this Official Statement, the Dissolution Act requires successor agencies to prepare,

and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule (the "**Recognized Obligation Payment Schedule**") pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation.

Payment of Amounts Listed on the Recognized Obligation Payment Schedule. As defined in the Dissolution Act, "**enforceable obligation**" includes bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency or the successor agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency or the successor agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and, under certain circumstances, amounts borrowed from the successor agency's low and moderate income housing fund.

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

Sources of Payments for Enforceable Obligations. Under the Dissolution Act, the categories of sources of payments for enforceable obligations listed on a Recognized Obligation Payment Schedule are the following: (i) the low and moderate income housing fund, (ii) bond proceeds, (iii) reserve balances, (iv) administrative cost allowance (successor agencies are entitled to receive not less than \$250,000, unless that amount is reduced by the oversight board), (v) the Redevelopment Property Tax Trust Fund (but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation or otherwise required under the Dissolution Act), or (vi) other revenue sources (including rents, concessions, asset sale proceeds, interest earnings, and any other revenues derived from the redevelopment agency, as approved by the oversight board).

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

Order of Priority of Distributions from Redevelopment Property Tax Trust Fund. Typically, under the Redevelopment Property Tax Trust Fund distribution provisions of the Dissolution Act, a county auditor-controller is to distribute funds for each six-month period in the following order specified in Section 34183 of the Dissolution Act:

- (i) first, subject to certain adjustments for subordinations to the extent permitted under the Dissolution Act (if any, as described below under "SECURITY FOR THE 2015 BONDS - Statutory Pass-Through Payments") and no later than each January 2 and June 1, to each local successor agency and school entity, to the extent applicable, amounts required for pass-through payments such entity would have received under provisions of the Redevelopment Law, as those provisions read on January 1, 2011, including negotiated pass-through agreements and statutory pass-through obligations;
- (ii) second, on each January 2 and June 1, to the successor agency for payments listed in its Recognized Obligation Payment Schedule, with debt service

payments scheduled to be made for tax allocation bonds having the highest priority over payments scheduled for other debts and obligations listed on the Recognized Obligation Payment Schedule;

(iii) third, on each January 2 and June 1, to the successor agency for the administrative cost allowance, as defined in the Dissolution Act; and

(iv) fourth, on each January 2 and June 1, to taxing entities any moneys remaining in the Redevelopment Property Tax Trust Fund after the payments and transfers authorized by clauses (i) through (iii), in an amount proportionate to such taxing entity's share of property tax revenues in the tax rate area in that fiscal year (without giving effect to any pass-through obligations that were established under the Redevelopment Law).

Failure to Submit a Recognized Obligation Payment Schedule. The Recognized Obligation Payment Schedule must be approved by the oversight board and must be submitted by a successor agency to the county administrative office, the applicable county auditor-controller, the DOF, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the successor agency does not submit a Recognized Obligation Payment Schedule by the applicable deadline, the city or county that established the former redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, the successor agency's administrative cost allowance is reduced by 25% if the successor agency did not submit a Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for the subsequent six-month period. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the 2015 Bonds, see "RISK FACTORS – Recognized Obligation Payment Schedule."

Relevant Covenant by the Successor Agency. In this regard, the Successor Agency covenants in the Indenture that it will comply with all of the requirements of the Law. Pursuant to Section 34177 of the Dissolution Act, not less than 90 days prior to each January 2 and June 1, the Successor Agency will submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule.

The Successor Agency further covenants to take all actions required under the Redevelopment Law and the Dissolution Act to include in the Recognized Obligation Payment Schedule for each Semiannual Period debt service on the 2015 Bonds and any Parity Debt, so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on each January 2 and June 1, as applicable, or such other date specified in the Law as amended after the date of this Official Statement, amounts required to enable the Successor Agency to pay timely principal of, and interest on, the 2015 Bonds coming due in the applicable Semiannual Period, as such amounts of debt service are set forth in the Recognized Obligation Payment Schedule attached as an exhibit to the Indenture, or as such Schedule may be hereafter amended. In order to ensure that amounts are available for the Trustee to pay debt service on all Outstanding Bonds on a timely basis, not fewer than 90 days prior to June 1, 2015 (or at such earlier time as may be required by the Dissolution Act), the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller that shall include all of the debt service due on all Outstanding Bonds

on September 1, 2015 and, not fewer than 90 days prior to each January 2 and June 1 thereafter (or at such earlier time as may be required by the Dissolution Act), for so long as any 2015 Bonds are outstanding, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the DOF and to the County Auditor-Controller that shall include (i) one-half of all debt service due on all Outstanding Bonds for the Bond Year in which such January 2 and June 1 occur, and (ii) any amount required to cure any deficiency in the Reserve Account pursuant to the Indenture (including any amounts required due to a draw on the Qualified Reserve Account Credit Instrument). The Recognized Obligation Payment Schedule shall not be amended except by Supplemental Indenture entered into pursuant to the Indenture.

In addition, the Successor Agency covenants that it will, on or before December 1 of each year, file a Notice of Insufficiency with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund for transfer to the Redevelopment Obligation Retirement Fund on the upcoming January 2 is insufficient to fully fund all required amounts payable from the Redevelopment Obligation Retirement Fund during the next succeeding Semiannual Period. The Successor Agency also covenants that on or before May 1 of each year, it will file a Notice of Insufficiency with the County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund for transfer to the Redevelopment Obligation Retirement Fund on the upcoming June 1 is insufficient to fully fund all required amounts payable from the Redevelopment Obligation Retirement Fund during the next succeeding Semiannual Period.

The Successor Agency further covenants that in the event the provisions set forth in the Dissolution Act as of the date of issuance of the 2015 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency will take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of (i) not less than one-half of debt service due during each Bond Year on all Outstanding Bonds prior to March 1 of such Bond Year, and (ii) the remainder of debt service due during such Bond Year on all Outstanding Bonds prior to the next succeeding September 1.

The Successor Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the 2015 Bonds. See "RISK FACTORS."

History of Submission of the Recognized Obligation Payment Schedules. The Successor Agency has procedures in place to ensure full and timely compliance with the above-described covenant. With exception of the Recognized Obligation Payment Schedules for the funding period commencing January 1, 2012 through June 30, 2012 and the funding period commencing July 1, 2012 through December 31, 2012 which were submitted to the DOF by the County Auditor-Controller, under the direction of the Financial Services Director, the Successor Agency has submitted its Recognized Obligation Payment Schedules on a timely basis, as described below.

	Funding Period	ROPS Approved by Oversight Board	Approved ROPS Submitted to DOF	Deadline to Submit ROPS to DOF	ROPS Submitted On Time?
ROPS I	1/1/12-6/30/12	4/10/12	4/18/12	4/15/12	No*
ROPS II	7/1/12-12/31/12	5/9/12	5/8/12	5/15/12	Yes*
ROPS III	1/1/13-6/30/13	8/16/12	8/31/12	9/4/12	Yes
ROPS 2013-14A	7/1/13-12/31/13	2/28/13	3/1/13	3/1/13	Yes
ROPS 2013-14B	1/1/14-6/30/14	9/13/13	9/23/13	10/1/13	Yes
ROPS 2014-15A	7/1/14-12/31/14	2/20/14	2/28/14	3/1/14	Yes
ROPS 2014-15B	1/1/15-6/30/15	9/18/14	9/25/14	10/3/14	Yes

* Submitted to the DOF by the County Auditor-Controller, not the Successor Agency.

In addition, there are strong incentives for the Successor Agency to submit Recognized Obligation Payment Schedules on time. If the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 90 days prior to each January 2 and June 1, then the Successor Agency will be subject to a \$10,000 per day civil penalty for every day the schedule is late. Additionally, if the Successor Agency does not submit a Recognized Obligation Payment Schedule to the Oversight Board and the DOF at least 80-days prior to each January 2 and June 1, then the Successor Agency’s administrative cost allowance may be reduced by up to 25%. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications for the 2015 Bonds, see “RISK FACTORS – Recognized Obligation Payment Schedule.”

No Negotiated Pass-Through Agreements

The Former Agency did not enter into any negotiated pass-through agreements.

Statutory Pass-Through Payments

General. In certain circumstances, Sections 33607.5 and 33607.7 of the Redevelopment Law require redevelopment agencies and successor agencies to make statutory pass-through payments to taxing agencies whose territory is located within a redevelopment project area, to alleviate the financial burden or detriment caused by the redevelopment project.

Generally speaking, the County Auditor-Controller is required to deduct from the Successor Agency’s Redevelopment Property Tax Trust Fund to pay to the affected taxing agencies percentages of tax increment generated in a Project Area as follows:

Tier 1: throughout the period that the Successor Agency is eligible to receive property tax revenues from a project area, 25% of revenues in excess of revenues generated in the Project Area as of the initial redevelopment plan amendment that triggered the pass-through requirement computed as though housing set-aside is still in effect; plus,

Tier 2: for the 11th year of the receipt of tax increment and thereafter, 21% of revenues in excess of revenues based on assessed values in the project area for the 10th year; plus,

Tier 3: for the 31st year of the receipt of tax increment and thereafter, 14% of revenues in excess of revenues based on assessed values in the project area for the 30th year.

Statutory Pass-Through Obligations in the Project Area. In 1993, the California Legislature enacted Assembly Bill 1290 (“**AB 1290**”), which contained several significant changes in the Redevelopment Law. Among the changes made by AB 1290 was a provision that limits the period of time for incurring and repaying loans, advances and indebtedness payable from tax increment revenues. Under AB 1290, redevelopment agencies were required to commence making pass-through payments under Section 33607.7 of the Redevelopment Law to certain taxing entities with respect to project areas formed on or before 1993, upon amendment of the related redevelopment plans to extend the time during which the redevelopment agency could incur debt, extend the last day the redevelopment agency could incur debt with respect to such project areas, to extend the life of the redevelopment plan or to increase the tax increment limit. Under AB 1290, statutory pass-through payments were required to commence in the first year following the year in which the first of the revised limits would otherwise have gone into effect. With respect to project areas formed or territory added to existing project areas after 1993, AB 1290 required redevelopment agencies to commence making pass-through payments under 33607.7 of the Redevelopment Law upon formation of such project areas.

In 1996, the Original Redevelopment Plan was amended to revise certain time and financial limits contained in Original Redevelopment Plan. The amendments to time and financial limitations in the Redevelopment Plan triggered statutory pass-through payments under Section 33607.7 of the Redevelopment Law with respect to the Original Area, the First Amendment Area and the Second Amendment Area (i.e. the subareas of the Project Area formed or added to the Project Area on or before 1993). Such payments are based on tax increment revenues above the levels that were received in fiscal year 2000-01. Because the Midtown Area was added to the Project Area in 2003, the Former Agency was required to commence making statutory pass-through payments under Section 33607.7 of the Redevelopment Law in 2003. See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for further information regarding statutory pass-through obligations in the Project Areas.

No Subordination of Statutory Pass-Through Payments. Statutory pass-through payments are payable on a senior basis to debt service on bonds under the Dissolution Act, unless the pass-through payments have been subordinated. The Redevelopment Law, as amended by the Dissolution Act, allows statutory pass-through payments to be subordinated to debt service on the Successor Agency’s bonds. **However, the Successor Agency did not seek or obtain the consent from any taxing entities to subordinate their right to receive statutory payments to the payment of debt service on the 2015 Bonds.**

See “APPENDIX H – FISCAL CONSULTANT’S REPORT” for information about the Former Agency’s statutory pass-through obligations and the County’s payment practices with regard to statutory pass-through payments.

Other Obligations

In 2003, the County and the Former Agency entered into a land purchase agreement (the “**Land Purchase Agreement**”) pursuant to which the Former Agency purchased approximately 35.6 acres of land adjacent to the Elmwood Rehabilitation Facility. As payment for such land, the Land Purchase Agreement required that the proceeds of any subsequent sale of approximately 33.8 acres of such land by the Former Agency be paid to the County. The Land Purchase Agreement also required the Former Agency to make payments to the County payable from tax increment revenues of the Former Agency, bond proceeds or other moneys available to the Former Agency for an estimated period of 30 years. Subsequently, 33.8 acres

were sold by the Former Agency to KB Homes Southbay, Inc. for construction of single-family homes. The remaining 1.08 acres were retained by the Former Agency and used as a community park until such acres were transferred to the City in 2013. Amounts payable by the Successor Agency to the County pursuant to the Land Purchase Agreement are not secured by a lien on or pledge of Tax Revenues and therefore, the projection of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREA – Project Tax Revenues and Estimated Debt Service Coverage," excludes such payments in determining Tax Revenues available to pay debt service on the 2015 Bonds.

PROPERTY TAXATION IN CALIFORNIA

Property Tax Collection Procedures

Classification. In the State, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the County assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the taxed 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 arising pursuant to State law, regardless of the time of the creation of other liens.

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

Collections. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured personal property taxes: (i) initiating a civil action against the taxpayer, (ii) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (iii) filing a certificate of delinquency for record in the county recorder’s office to obtain a lien on certain property of the taxpayer, and (iv) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes 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, property on the secured roll on which taxes are delinquent is declared in default by operation of law and declaration of the tax collector on or about June 30 of each fiscal year. 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 deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to delinquent taxes with respect to property on the 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.

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 January 1 and become delinquent August 31.

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 (Chapter 498 of the Statutes of 1983) provides for the reassessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year’s tax rate to the amount of increase in a property’s value and prorating the resulting

property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against real property. Since fiscal year 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes.

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

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

SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. Based on the County SB 2557 charge to the Successor Agency for fiscal year 2012-13 for the Project Area, the Fiscal Consultant estimates that the SB 2557 charge for fiscal year 2014-15 will be 1.42% of gross tax increment revenues for the Project Area.

In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 2557/SB 1559 amounts, to be deducted from property tax revenues before monies are deposited into the Redevelopment Property Tax Trust Fund.

The County's administrative charge relating to the dissolution of the Redevelopment Agency was \$70,953 for the January 2, 2014 and \$33,659 for the June 1, 2014 distributions from the Redevelopment Property Tax Trust Fund.

Recognized Obligation Payment Schedule. See "SECURITY FOR THE 2015 BONDS – Recognized Obligation Payment Schedules" and "RISK FACTORS – Recognized Obligation Payment Schedule."

Rate of Collections

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), which allows each entity levying property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected. The allocation to redevelopment agencies differs from the County's normal allocation to other taxing entities under the Teeter Plan. Under the Teeter Plan, taxing entities receive 100% of the secured tax levy without regard to the impact of delinquent property taxes, but unsecured taxes are allocated based on actual collections. However, under the

Teeter Plan as applied to the Successor Agency, tax increment generated from both the secured and unsecured tax rolls is allocated based on 100% of the County calculated levy. The Successor Agency is therefore shielded from the impact of delinquent property taxes on both the secured and unsecured roll. The County could elect to terminate this policy and, in such event, the amount of the levy of property tax revenue that could be allocated to the Successor Agency would depend upon the actual collections of the secured taxes within the Project Area. Substantial delinquencies in the payment of property taxes could impair the timely receipt by the Successor Agency of Tax Revenues.

Unitary Property

Legislation enacted in 1986 and 1987 provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (“SBE”), other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area.

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 taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (ii) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro rata county wide; and (iii) any increase in revenue above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the county. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

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

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of a project area; therefore, the base year value of the Project Area has been reduced by the amount of utility value that existed originally in the base year.

Article XIII A of the State Constitution

Article XIII A limits the amount of ad valorem taxes on real property to 1% of “full cash value” of such property, as determined by the county assessor. Article XIII A defines “full cash value” to mean “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” Furthermore, the “full cash value” of all real property may be increased to reflect the rate of inflation, as shown by the consumer price index, not to exceed 2% per year, or may be reduced.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by substantial damage, destruction or other factors, and to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other special circumstances.

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

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

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership,” for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

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

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

Each year the SBE announces the applicable adjustment factor. Since the adoption of Proposition 13, inflation has, in most years, exceeded 2% and the announced factor has reflected the 2% cap. The changes in the California Consumer Price Index from October of one year and October of the next year are used to determine the adjustment factor for the January assessment date. Through fiscal year 2010-11 there were six occasions when the inflation factor was less than 2%. Until fiscal year 2010-11 the annual adjustment never resulted in a reduction to the base year values of individual parcels; however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and this resulted in a reductions to the adjusted base year value of parcels. The table below reflects the inflation adjustment factors for the current fiscal year, 10 prior fiscal years and the adjustment factor for fiscal year 2015-16.

Historical Inflation Adjustment Factors

<u>Fiscal Year</u>	<u>Inflation Adj. Factor</u>
2004-05	1.867%
2005-06	2.000
2006-07	2.000
2007-08	2.000
2008-09	2.000
2009-10	2.000
2010-11	-0.237
2011-12	0.753
2012-13	2.000
2013-14	2.000
2014-15	0.454
2015-16	1.998

Appropriations Limitation - Article XIII B

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

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

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the State 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 certain bonded indebtedness issued by a taxing entity (not the Redevelopment Agency or the Successor Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies.

Appeals of Assessed Values

Pursuant to California law, a property owner may apply for a reduction of the property tax assessment for such owner’s property by filing a written application, in a form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring to reduce the assessed value of such owner's property in any one year must submit an application to the County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of each application by the staff of the County Assessor's Office, the staff makes a recommendation to the Appeals Board on each application which has not been rejected for incompleteness or untimeliness or withdrawn. The Appeals Board holds a hearing and either reduces the assessment or confirms the assessment. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level for fiscal years following the year for which the reduction application is filed. However, if the taxpayer establishes through proof of comparable values that the property continues to be overvalued (known as "ongoing hardship"), the 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. Appeals for reduction in the "base year" value of an assessment, which generally must be made within four years of the date of change in ownership or completion of new construction that determined the base year, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. Moreover, in the case of any reduction in any one year of assessed value granted for "ongoing hardship" in the then current year, and also in any cases involving stipulated appeals for prior years relating to base year and personal property assessments, the property tax revenues from which Tax Revenues are derived attributable to such properties will be reduced in the then current year. In practice, such a reduced assessment may remain in effect beyond the year in which it is granted.

See "THE PROJECT AREA - Appeals of Assessed Values; Proposition 8 Reductions" for information regarding historical and pending appeals of assessed valuations by property owners in the Project Area.

Proposition 8

Proposition 8, approved in 1978 (California Revenue and Taxation Code Section 51(b)), provides for the assessment of real property at the lesser of its originally determined (base year) full cash value compounded annually by the inflation factor, or its full cash value as of the lien date, taking into account reductions in value due to damage, destruction, obsolescence or other factors causing a decline in market value. Reductions under this code section may be initiated by the County Assessor or requested by the property owner.

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

See "THE PROJECT AREA- Appeals of Assessed Values; Proposition 8 Reductions" for information regarding recent history of Proposition 8 reductions in the Project Area.

Propositions 218 and 26

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIC and XIID to the State Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. On November 2, 2010, California voters approved Proposition 26, the “Supermajority Vote to Pass New Taxes and Fees Act.” Proposition 26 amended Article XIIC of the California Constitution by adding an expansive definition for the term “tax,” which previously was not defined under the California Constitution.

Tax Revenues securing the 2015 Bonds are derived from property taxes that are outside the scope of taxes, assessments and property-related fees and charges which are limited by Proposition 218 and Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIIC and Article XIID and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California’s initiative process. From time to time other initiative measures could be adopted, further affecting Successor Agency revenues or the Successor Agency’s ability to expend revenues.

THE SUCCESSOR AGENCY

As described in "INTRODUCTION," the Dissolution Act dissolved the Former Agency as of February 1, 2012. Thereafter, pursuant to Section 34173 of the Dissolution Act, the City became the Successor Agency to the Former Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Successor Agency is a separate public entity from the City, that the two entities shall not merge, and that the liabilities of the Former Agency will not be transferred to the City nor will the assets of the Former Agency become assets of the City.

Successor Agency Powers

All powers of the Successor Agency are vested in its five members who are elected members of the City Council. Pursuant to the Dissolution Act, the Successor Agency is a separate public body from the City and succeeds to the organizational status of the Former Agency but without any legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation. The Successor Agency is tasked with expeditiously winding down the affairs of the Former Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, substantially all Successor Agency actions are subject to approval by the Oversight Board, as well as review by the DOF.

Status of Compliance with Dissolution Act

The Dissolution Act requires a due diligence review to determine the unobligated balances of each successor agency that are available for transfer to taxing entities. The due diligence review involves separate reviews of each successor agency's low and moderate income housing fund and of all other funds and accounts. Once a successor agency completes the due diligence review and any transfers to taxing entities, the DOF will issue a finding of completion that expands the authority of each successor agency in carrying out the wind down process. A finding of completion allows a successor agency to, among other things, retain real property assets of the dissolved redevelopment agency and utilize proceeds derived from bonds issued prior to January 1, 2011.

The Successor Agency has completed the due diligence process and received its Finding of Completion on June 27, 2014.

After receiving a finding of completion, each successor agency is required to submit a Long Range Property Management Plan detailing what it intends to do with its inventory of properties. Successor agencies are not required to immediately dispose of their properties but are limited in terms of what they can do with the retained properties. Permissible uses include: sale of the property, use of the property to satisfy an enforceable obligation, retention of the property for future redevelopment, and retention of the property for governmental use. These plans must be filed by successor agencies within six months of receiving a finding of completion, and the DOF will review these plans as submitted on a rolling basis.

The DOF had not approved the Successor Agency's Long Range Property Management Plan as of the date of this Official Statement.

THE PROJECT AREA

Project Description

The Project Area consists of approximately 2,230 acres and includes low-density and medium-density residential, industrial, commercial and public land uses. As previously noted, the Project Area is composed of four subareas: the Original Area, the First Amendment Area, the Second Amendment Area, and the Midtown Area.

Original Area. The Original Area consists of approximately 577 acres of land largely developed for commercial, residential and public land uses, including City Hall, 740,000 square feet of commercial space in the Town Center, two hotels totaling 408 rooms and 78,000 square feet of commercial space in Foothill Square. The Original Area also includes a development of 65 new single-family homes adjacent to the Town Center.

First Amendment Area. The First Amendment Area consists of approximately 483 acres of land largely developed for commercial, industrial and residential use, including approximately 3.2 million square feet of industrial space in the Oak Creek Business Park, two hotels totaling 432 rooms, 683 single-family detached homes, condominiums and town homes developed by KB Homes in Fiscal Year 2009-10 and Toyota and Honda car dealerships. Several major high-tech companies also have their headquarters in the First Amendment Area, including Linear Technology, Zollner Electronics, LSI, Nanolabs and Solixel.

Second Amendment Area. The Second Amendment Area consists of approximately 479 acres of land largely developed for commercial use, including, four million square feet of building area in the Milpitas Business Park. The Milpitas Business Park includes four hotels totaling 642 rooms, two shopping centers totaling 250,000 square feet, a 700-child day care center and a Cisco campus totaling 1.1 million square feet. Several major high-tech companies have their headquarters in the Second Amendment Area as well, including SanDisk and KLA-Tencor.

Midtown Area. The Midtown Area consists of approximately 691 acres of land largely developed for commercial and residential use, including a public library, a 103-unit senior housing center and an adjacent primary care health center. A majority of the land within the Project Area designated for development pursuant to the City's Transit Area Specific Plan, including construction of the Milpitas BART train station and two VTA light rail stations, is located within the Midtown Area.

Land Use

The following table summarizes the current land use in the Project Area in the aggregate, by the number of parcels and by assessed secured value for fiscal year 2014-15. As shown, the majority of land within the Project Area (approximately 38.79% in terms of assessed secured valuation) is currently used for residential purposes. The assessed values shown do not include non-homeowner exemptions.

These land use categories are based on land use designations placed on individual parcels by the County Assessor's Office and may not, in every case, coincide with the actual uses found on the parcels.

**TABLE 1
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Land Use by Taxable Value
Fiscal Year 2014-15**

Category	No. of Parcels	Taxable Value	% of Total FY 2014-15 Assessed Value
Residential	3,986	\$2,304,093,539	38.79
Commercial	195	540,577,642	9.10
Industrial	182	1,465,299,109	24.67
Vacant Land	456	275,204,067	4.63
Other	58	47,345,348	0.80
Total Secured	4,877	4,632,519,705	78.00⁽¹⁾
Unsecured/State Assessed		1,306,666,402	22.00
Grand Total		\$5,939,186,107	100.00

(1) Difference due to rounding.
Source: *Fraser & Associates*.

The Redevelopment Plan

The Original Redevelopment Plan was adopted and approved as the redevelopment plan for the Original Area by Ordinance No. 192, adopted by the City Council of the City on September 21, 1976. Since adoption, the Original Redevelopment Plan has been amended several times, including by the amendments described below.

First Amendment. The Original Redevelopment Plan was first amended by Ordinance No. 192.1, adopted by the City Council of the City on September 4, 1979 (the “**First Amendment**”) to add the First Amendment Area to the Project Area.

Second Amendment. The Original Redevelopment Plan was amended a second time by Ordinance No. 192.2, adopted by the City Council of the City on May 4, 1982 (the “**Second Amendment**”) to add the Second Amendment Area to the Project Area and, with respect to the First Amendment Area and the Second Amendment Area only, established a cumulative limit on the amount of tax increment that could be collected, limit on bonded indebtedness and time limit on incurrence of such indebtedness.

SB 690; SB 690 Amendment. In 1985, the California Legislature enacted State Bill 690 (“**SB 690**”), which amended the Redevelopment Law to require that redevelopment plans for all project areas adopted prior to October 1, 1976, such as the Original Area, be amended to, among other things, add a cumulative limit on the amount of tax increment that could be collected in such project areas. On December 9, 1986, the City Council of the City adopted Ordinance No. 192.4, which adopted various plan limits, including a cumulative limit on the amount of tax increment that could be collected in the Original Area in accordance with SB 690.

AB 1290; AB 1290 Amendments. On December 9, 1994, the City Council of the City adopted Ordinance No. 192.9, which adopted a series of plan limits related to the Original

Redevelopment Plan to comply with AB 1290. On October 15, 1996, the City Council of the City adopted Ordinance No. 192.11, pursuant to which the limit on the number of dollars of tax increment that could be allocated to the Former Agency was increased thereby triggering the Former Agency's obligation to make statutory pass-through payments in accordance with 33606.7 of the Redevelopment Law with respect to tax increment revenues from the Original Area, the First Amendment Area and the Second Amendment Area pursuant to AB 1290. See "SECURITY FOR THE 2015 BONDS - Statutory Pass-Through Payments" above for further discussion regarding the Successor Agency's statutory pass-through payment obligations.

Amendment and Restatement. The Original Redevelopment Plan was amended and restated by Ordinance No. 192.14 adopted by the City Council of the City on June 17, 2003, approving the Amended and Restated Redevelopment Plan, adding the Midtown Area to the Project Area, establishing certain plan limits with respect to the Midtown Area and amending and restating the plan limits then existing with respect to the Original Area, the First Amendment Area and the Second Amendment Area.

SB 1045; SB 1096; SB 1045 and SB 1096 Amendments. Pursuant to Senate Bill 104 ("SB 1045") in connection with the adoption of statutes requiring an Educational Revenue Augmentation Fund ("ERAF") shift for fiscal year 2003-04, the State Legislature authorized a number of redevelopment plan changes.

Pursuant to SB 1045, the Amended and Restated Redevelopment Plan was amended pursuant to Ordinance No. 192.15, adopted by the City Council of the City on October 7, 2003, to extend (i) the time limit of the effectiveness of the Amended and Restated Redevelopment Plan with respect to the Original Area, the First Amendment Area and the Second Amendment Area to September 21, 2017, September 4, 2020 and May 4, 2023, respectively, and with respect to the Midtown Area to June 17, 2034, and (ii) the time limit to repay indebtedness and receive tax increment from the Original Area, the First Amendment Area and the Second Amendment Area to September 21, 2027, September 4, 2030 and May 4, 2033, respectively, and with respect to the Midtown Area to June 17, 2049.

Pursuant to SB 1045, the Amended and Restated Redevelopment Plan was amended pursuant to Ordinance No. 192.16, adopted by the City Council of the City on September 19, 2006, to extend (i) the time limit of the effectiveness of the Amended and Restated Redevelopment Plan with respect to the Original Area, the First Amendment Area and the Second Amendment Area to September 21, 2019, September 4, 2022 and May 4, 2025, respectively, and (ii) the time limit to repay indebtedness and receive tax increment from the Original Area, the First Amendment Area and the Second Amendment Area to September 21, 2029, September 4, 2032 and May 4, 2035, respectively.

Merger Amendment. The Amended and Restated Redevelopment Plan was amended pursuant to Ordinance No. 192.19 adopted by the City Council of the City on November 29, 2006, pursuant to which the Project Area was merged with Great Mall Project Area to permit tax increment revenues from the Project Area to be used for redevelopment activities in the Great Mall Project Area. The Project Area and the Great Mall Project Area retained separate redevelopment plans after the merger. The Great Mall Project Area does not generate tax increment revenues and no monies from the Great Mall Project Area are pledged to secure the payment of debt service on the 2015 Bonds.

Redevelopment Plan Limits. Since the Project Area is comprised of various subareas created by amendments to the Redevelopment Plan described above, various limits apply to the Project Area subareas. As amended, the Redevelopment Plan includes the following limits:

Limitation	Original Area	First Amendment Area	Second Amendment Area	Midtown Area
Final Date to Incur Debt:	January 1, 2014	January 1, 2014	January 1, 2014	June 17, 2023
Plan Life:	September 21, 2019	September 4, 2022	May 4, 2025	June 17, 2034
Final Date to Collect Tax Increment and Repay Debt:	September 21, 2029	September 4, 2032	May 4, 2035	June 17, 2049
Cumulative Limit on Tax Increment*:	\$2.4 billion (combined)			

*Limit applicable to all of the Project Area on a cumulative basis.

Impact of Cumulative Tax Increment Limit. The Fiscal Consultant reports that it is estimated that the Project Area has generated approximately \$707.7 million in tax increment since formation. In addition, based on the Fiscal Consultant’s projection of property tax revenue to be generated by the Project Area (which assumes 1.998% annual real property growth in fiscal year 2015-16 and 2% annual real property growth in each fiscal year thereafter as well as certain other assumptions regarding new development within the Project Area and reductions in assessed value related to pending assessment appeals as more particularly described in the Fiscal Consultant’s Report), the Successor Agency believes it is unlikely that the cumulative limit on tax increment will be exceeded prior to September 1, 2032 (the final maturity date of the 2015 Bonds). According to the Fiscal Consultant, in order for the \$2.4 billion limit to be reached, assessed values within the Project Area would have to increase an average of 7% each year commencing fiscal year 2015-16, which is higher than the average growth rate of 6.41% over the past ten years. The Successor Agency is unable to predict when or if the cumulative limit on tax increment will ever be exceeded. Should growth of taxable values exceed projections, the Project Area will reach the cumulative limit on tax increment earlier. Once such limit is reached, it is possible that the Successor Agency will not receive additional tax increment revenue from the Project Area. However, as indicated above, based on the Fiscal Consultant’s projections of Tax Revenues, the Successor Agency believes it is unlikely that the cumulative limit on tax increment will be exceeded prior to the maturity date of the 2015 Bonds.

Impact of the Final Date to Collect Increment/Repay Debt in the Original Area. Because of the varying plan limits discussed above, Tax Revenues will no longer be collected from the Original Area after September 21, 2029. The 2015 Bonds have been structured to take into account this revenue drop. See “THE PROJECT AREA – Projected Available Net Tax Increment and Estimated Debt Service Coverage” for further information.

See APPENDIX H - "FISCAL CONSULTANT’S REPORT" for further description of the Redevelopment Plan and related amendments.

DOF Approach to Plan Limits. The DOF has expressed the opinion that the tax increment limits within former redevelopment plans that had not been reached prior to redevelopment dissolution are inconsistent with the purpose and intent of the Dissolution Act and, therefore, should no longer apply. The DOF has indicated that it plans to introduce

legislation to the California Legislature in February 2015 intended to clarify that such tax increment limits do not apply for the purpose of paying obligations of redevelopment agencies and their respective successor agencies that have been determined to be enforceable by the DOF. Until any such proposed legislation is adopted by the California Legislature, the DOF’s opinion has no force of law and therefore, it is possible that the tax increment limits contained in the Redevelopment Plan will be applied by the County Auditor-Controller.

Covenant in the Indenture Related to Cumulative Tax Increment Limit. The Successor Agency covenants in the Indenture that unless the plan limits (“**Plan Limits**” as defined in the Indenture) no longer apply to the Successor Agency under the Law, the Successor Agency will annually review the total amount of Tax Revenues remaining available to be received by the Successor Agency under the Plan Limits, as well as future cumulative annual debt service. If remaining Tax Revenues allocable under the Plan Limits are less than 105% of all future debt service on the 2015 Bonds, any Parity Debt and any other obligations of the Successor Agency payable from Tax Revenues, all Tax Revenues not needed to pay current or any past due debt service on any Successor Agency obligations or to replenish the Reserve Account to the Reserve Requirement shall be deposited into a special escrow fund (which shall be held by the Trustee to be applied for the sole purpose of paying the principal of and interest on the 2015 Bonds and any Parity Debt).

Historical and Estimated Assessed Values and Tax Revenues

The table below shows the historical secured, unsecured and state-assessed values for fiscal years 2005-06 to fiscal year 2014-15 based upon the County Auditor-Controller’s equalized rolls. The table below also shows the historical secured and unsecured assessed values for such fiscal years with respect to property owned by Cisco Systems, Inc. and its subsidiary Cisco Technology Inc., the top property owner in the Project Area. See “- Major Taxable Property Owners” below for further information regarding the major taxable property owners within the Project Area.

**TABLE 2
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Historical Assessed Values FY 2005-06 - FY 2014-15**

FY	Secured Assessed Value	Unsecured Assessed Value	State-Assessed Value	Total Taxable Value	% Change	Cisco-Owned Parcels		All Others	
						Secured Assessed Value	Unsecured Assessed Value	Secured Assessed Value	Unsecured Assessed Value
2005-06	\$2,544,690,494	\$850,099,181	\$0	\$3,394,789,675		\$129,120,000	\$89,521,196	\$2,415,570,494	\$760,577,985
2006-07	2,798,785,590	575,708,325	0	3,374,493,915	-1%	141,200,000	89,636,582	2,657,585,590	486,071,743
2007-08	3,177,309,608	572,039,432	0	3,749,349,040	11%	217,000,000	105,561,271	2,960,309,608	466,478,161
2008-09	3,688,307,142	689,942,742	145,062	4,378,394,946	17%	318,000,000	115,038,351	3,370,307,142	574,904,391
2009-10	3,775,859,557	784,570,321	145,062	4,560,574,940	4%	318,330,000	170,066,789	3,457,529,557	614,503,532
2010-11	3,703,194,397	746,085,665	145,062	4,449,425,124	-2%	317,575,552	218,589,931	3,385,618,845	527,495,734
2011-12	3,549,429,356	703,478,246	161,180	4,253,068,782	-4%	197,858,736	191,191,381	3,351,570,620	512,286,865
2012-13	3,604,736,835	1,138,773,917	161,180	4,743,671,932	12%	235,490,000	654,431,571	3,369,246,835	484,342,346
2013-14	4,038,508,838	1,178,633,709	161,180	5,217,303,727	10%	316,700,000	654,260,143	3,721,808,838	524,373,566
2014-15	4,632,519,705	1,306,472,986	193,416	5,939,186,107	14%	333,650,000	639,715,875	4,298,869,705	666,757,111

Source: County Assessor; Fraser & Associates; Urbics

As shown in the table above, assessed values within the Project Area have remained relatively steady since fiscal year 2005-06. In addition, the table above shows that since fiscal year 2005-06, a majority of the assessed value within the Project Area is attributable to property owned by taxpayers other than Cisco Systems, Inc. and its subsidiary Cisco Technology Inc. See “- Major Taxable Property Owners” below for further information regarding the major taxable property owners within the Project Area.

The table below shows estimated Tax Revenues for fiscal year 2014-15 generated within each of the subareas within the Project Area. Based on such estimates, Tax Revenues from the First Amendment Area, Second Amendment Area and the Original Area account for 38%, 31% and 28%, respectively, of total estimated Tax Revenues for fiscal year 2014-15.

**TABLE 3
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Estimated FY 2014-15 Tax Revenues By Subarea**

	Original Area	First Amendment Area	Second Amendment Area	Midtown Area	Total
FY 2014-15 Tax Revenues	\$11,761,722	\$15,737,739	\$13,007,861	\$1,338,569	\$41,845,891
% of Total Tax Revenues	28%	38%	31%	3%	100%

Source: County Assessor; Fraser & Associates

The table below shows the historical assessed valuations for fiscal years 2009-10 to 2014-15 based upon the County Auditor-Controller’s equalized rolls. The table below also calculates available Tax Revenues in the Project Area for each of the past four fiscal years and an estimate for fiscal year 2014-15.

TABLE 4
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Historical and Estimated Tax Revenues FY 2009-10 - FY 2014-15

Category	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Taxable Values						
Secured	\$3,775,859,557	\$3,703,194,397	\$3,549,429,356	\$3,604,736,835	\$4,038,508,838	\$4,632,519,705
SBE	145,062	145,062	161,180	161,180	161,180	\$193,416
Unsecured	784,570,321	746,085,665	703,478,246	1,138,773,917	1,178,633,709	\$1,306,472,986
Total	4,560,574,940	4,449,425,124	4,253,068,782	4,743,671,932	5,217,303,727	\$5,939,186,107
Percent Change	4%	-2%	-4%	12%	10%	14%
Base Year Value	799,726,839	799,726,839	799,726,839	799,726,839	799,726,839	799,726,839
Incremental Value	3,760,848,101	3,649,698,285	3,453,341,943	3,943,945,093	4,417,576,888	\$5,139,459,268
Tax Increment ⁽¹⁾	\$39,411,130	\$38,246,152	\$33,484,133	\$36,321,289	\$44,866,929	\$51,394,593
Supplemental Taxes	1,128,783	415,610	88,297	(36,706)	564,398	0
Unitary Tax Increment	336,336	341,919	306,254	256,257	261,500	261,500
Total Tax Increment	40,876,249	39,003,680	33,878,684	36,540,840	45,692,827	51,656,093
<i>Adjustments to Tax Revenue:</i>						
Property Tax Administration Fees	401,383	419,169	574,505	679,621	649,360	734,106
Property Tax Refunds/Corrections						688,585
<i>Liens on Tax Increment:</i>						
Housing Set-Aside ⁽²⁾	8,175,250	7,800,736	0	0	0	0
Statutory Pass-Through ⁽³⁾	3,302,804	2,230,775	1,437,716	2,548,841	4,625,182	8,387,511
Tax Revenue	\$28,996,812	\$28,553,000	\$31,866,463	\$33,312,378	\$40,418,285	\$41,845,890

(1) Reflects actual receipts based on the records of the Successor Agency.

(2) Represents former Housing Set-Aside. Beginning in fiscal year 2011-12, the Housing Set-Aside is no longer required.

(3) Statutory pass-through payments with respect to the Original Area, the First Amendment Area and the Second Amendment Area were triggered in fiscal year 2001-02 pursuant to AB 1290; statutory pass-through payments with respect to the Midtown Area commenced upon its formation in 2003. Statutory pass-through payments for fiscal year 2014-15 include statutory pass-through payments of approximately \$953,000 related to fiscal-year 2013-14 that the County Auditor-Controller inadvertently failed to remit to the affected taxing entities in fiscal year 2013-14.

Source: County Assessor; Fraser & Associates

Total assessed values within the Project Area have increased by approximately \$1.378 billion, or 30% since fiscal year 2009-10. Between fiscal years 2009-10 and 2014-15, secured taxable value increased by \$857 million or approximately 23%. The Fiscal Consultant reports that the growth in total assessed values since fiscal year 2009-10 is due primarily to an increase in secured assessed values in fiscal year 2012-13 through fiscal year 2014-15 of approximately \$1 billion, largely driven new residential development within the Project Area (which added \$316 million in assessed value to the Project Area), the restoration of assessed values of non-residential properties previously reduced pursuant to Proposition 8 (which added \$308 million in assessed value to the Project Area) and the restoration of assessed values of residential properties previously reduced pursuant to Proposition 8 (which added \$160 million in assessed value to the Project Area). See "APPENDIX H - FISCAL CONSULTANT'S REPORT" for further discussion regarding historical assessed values within the Project Area.

Unitary Property

As the result of the enactment of Assembly Bill 2890 (Chapter 1457, Statutes of 1986) and Assembly Bill 454 (Chapter 921, Statutes of 1987), a portion of the County-wide unitary

values assigned to public utilities is allocated to the Project Area. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of tax increment revenues. However, any such impact with respect to utility properties within the Project Area will be lessened because the impact will be spread on a County-wide basis.

The amount of unitary revenues to be allocated to the Successor Agency from the Project Area for fiscal year 2014-15 is estimated to be \$261,500.

The Fiscal Consultant assumes that allocations of unitary revenues will remain constant for purposes of projecting tax increment available to pay debt service on the 2015 Bonds.

Major Taxable Property Owners

The following table lists the 10 largest taxable property owners within the Project Area in the aggregate for fiscal year 2014-15. Based on fiscal year 2014-15 locally assessed taxable valuations, the top 10 taxable property owners in the Project Area represent approximately 34.62% of the total assessed value of the Project Area and 40.01% of total incremental value. All of the property owned by the 10 largest taxable property owners within the Project Area is listed on the tax rolls for the County as being used research and development and industrial purposes but may not accurately reflect the actual use of such property.

**TABLE 5
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Ten Largest Taxable Property Owners Fiscal Year 2014-15**

Property Owner	No. of Parcels	FY 2014-15 Secured Value	FY 2014-15 Unsecured Value	Total Value	% of Total Assessed Value ⁽¹⁾	% of Incremental Value
Cisco Systems, Inc. ⁽²⁾⁽³⁾	6	\$333,650,000	\$639,715,875	\$973,365,875	16.39%	18.94%
KLA Tencor Corporation ⁽³⁾	2	82,230,000	201,567,337	283,797,337	4.78	5.52
Essex Portfolio ⁽⁴⁾	1	131,424,789	0	131,424,789	2.21	2.56
Silicon Valley California I LLC ⁽³⁾	12	109,472,101	0	109,472,101	1.84	2.13
Fairfield Murphy RD LLC ⁽⁴⁾	2	105,345,742	0	105,345,742	1.77	2.05
Headway Technologies Inc. ⁽⁵⁾	4	0	100,079,790	100,079,790	1.69	1.95
SPUS6 Murphy Crossing	3	95,431,300	0	95,431,300	1.61	1.86
Sandisk Corporation ⁽⁵⁾	6	0	92,560,878	92,560,878	1.56	1.80
Sandbox Expansion LLC	5	89,655,191	0	89,655,191	1.51	1.74
A and P Children Investments	1	75,018,422	0	75,018,422	1.26	1.46
Top 10 Total Valuation		\$1,022,227,54	\$1,033,923,880	\$2,056,151,425	34.62%	40.01%
		5				
Total Fiscal Year 2014-15 AV: \$5,939,186,107						
Total Fiscal Year 2014-15 Incremental AV: \$5,139,459,268						

(1) Based on taxable value for the Project Area for fiscal year 2014-15 of \$5,939,186,107 and incremental value of \$5,139,459,268, respectively.

(2) Represents property owned by Cisco Systems, Inc. and Cisco Technology Inc., a subsidiary of Cisco Systems, Inc.

(3) Property owners have pending assessment appeals.

(4) Residential land use, all others are used research and development and industrial uses.

(5) Property owners are lessees of real property within the Project Area on which they maintain personal property; Property owners do not hold fee interests in real property within the Project Area and therefore, are assessed taxes only on personal property maintained on leased real property.

Source: County Assessor; Fraser & Associates

The top property taxpayer in the Project Area is Cisco Systems, Inc. and its subsidiary Cisco Technology Inc., which collectively own six parcels in the Project Area and personal property thereon with a total assessed value of approximately \$973.4 million or 18.94% of total incremental value within the Project Area. Cisco Systems, Inc. designs, manufactures and sells internet protocol based networking and communications products and services related to the communications and information technology industry. Seven buildings are located on the parcels owned by Cisco Systems, Inc. within the Project Area which include a 700-child day care center and a Cisco campus used for office space, research and development activities total 1.1 million square feet.

The second largest property taxpayer in the Project Area is KLA Tencor Corporation, which owns three parcels in the Project Area and personal property thereon with a total assessed value of approximately \$283.8 million or 5.52% of total incremental value within the Project Area. KLA Tencor Corporation provides management and process control solutions used in the manufacturing of semiconductors. KLA Tencor Corporation maintains its corporate headquarters on such property along with research and development and manufacturing facilities.

New Development

New development continues to occur within the Project Area, including residential and non-residential development pursuant to the City’s Transit Area Specific Plan. The following table summarizes new housing developments within the Project Area that were completed, or are in the process of being completed, as of the date of this Official Statement but were not yet recognized fully on the fiscal year 2014-15 tax roll and includes estimates of future increases in assessed value within the Project Area. The projections of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled “THE PROJECT AREA – Projected Available Net Tax Increment and Estimated Debt Service Coverage” include such estimates of future increases in assessed value within the Project Area.

**TABLE 6
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
New Housing Developments
(000's Omitted)**

Housing Developments	Units	Net New Value	FY 2015-16 ⁽¹⁾	FY 2016-17 ⁽²⁾
Second Amendment Area				
Coyote Creek - Housing	98	\$45,152	\$22,576	\$22,576
Third Amendment Area				
Harmony - DR Horton	111	63,996	31,998	31,998
Taylor Morrison	186	96,205	48,103	48,103
Pace Development	82	29,915	14,958	14,958
Main & Abel Apartments	200	52,790	26,395	26,395
Grand Total	677	\$288,058	\$144,029	\$144,029

(1) Represents estimated increases in assessed values within the Project Area in fiscal year 2015-16.

(2) Represents estimated increases in assessed values within the Project Area in fiscal year 2016-17.

Source: Fraser & Associates

See APPENDIX H - "FISCAL CONSULTANT'S REPORT" for further description of new development and the Fiscal Consultant's assumptions related thereto.

Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a redevelopment project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and any over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

Section 34183(a)(1) of the Dissolution Act requires the County Auditor-Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal of and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. As a result, the tax increment revenues being deposited into the Redevelopment Property Tax Trust Fund include only revenues derived from the general 1% levy and includes no revenues derived from over-ride tax rates that had been included in tax increment revenues prior to the dissolution of redevelopment agencies. The Fiscal Consultant's projections of tax increment available to pay debt service on the 2015 Bonds are based only on revenue derived from the general levy tax rate.

Teeter Plan

As previously indicated, the County has adopted the Teeter Plan See "PROPERTY TAXATION IN CALIFORNIA - Rate of Collections" for a discussion of the Teeter Plan as adopted and applied by the County.

The following tables provide data regarding collections by the County under the Teeter Plan within the Project Areas for fiscal years 2009-10 through 2013-14.

TABLE 7
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Collections By County Under Teeter Plan

Fiscal Year	Levy per County ⁽¹⁾	Tax Increment Collected Less Supplementals ⁽²⁾	% of Levy Collected	Supplementals	Total Tax Increment Collected	% of Levy Collected
2009-10	39,747,466	39,747,466	100.00	1,128,783	40,876,249	102.84
2010-11	38,588,071	38,588,070	100.00	415,610	39,003,680	101.08
2011-12	36,557,004	33,790,387	92.43	88,297	33,878,684	92.67 ⁽³⁾
2012-13	36,277,199	36,577,546	100.83	(36,706)	36,540,840	100.73
2013-14	\$44,175,768	\$45,128,429	102.16%	\$564,398	\$45,692,827	103.43%
Average Receipts to Levy			99.23%			100.33%

(1) Levy reported by County Assessor.

(2) Inclusive of property tax administrative fees of County Assessor.

(3) Due to the passage of the Dissolution Act, the Successor Agency received payment for supplemental taxes through April instead of June 2012. Historically, supplemental taxes for May through June of each year account for approximately 7% of total tax increment of each fiscal year.

Source: County Assessor; Fraser & Associates

Appeals of Assessed Values; Proposition 8 Reductions

Pursuant to California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board.

After the applicant and the assessor have presented their arguments, the Appeals Board makes a final decision on the proper assessed value. The Appeals Board may rule in the assessor's favor, in the applicant's favor, or the Board may set their own opinion of the proper assessed value, which may be more or less than either the assessor's opinion or the applicant's opinion.

Any reduction in the assessment ultimately granted applies to the year for which the application is made and may also affect the values in subsequent years. Refunds for taxpayer overpayment of property taxes may include refunds for overpayment of taxes in years after that which was appealed. Current year values may also be adjusted as a result of a successful appeal of prior year values. Any taxpayer payment of property taxes that is based on a value that is subsequently adjusted downward will require a refund for overpayment.

Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals may also be filed under Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction,

depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions have taken place in some counties due to declining real estate values. Reductions made under this code section may be initiated by the County Assessor or requested by the property owner. After a roll reduction is granted under this section, the property is reviewed on an annual basis to determine its full cash value and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases must be in accordance with the full cash value of the property and it may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See "PROPERTY TAXATION IN CALIFORNIA" above.

History of Assessed Value Appeals; Projection of Future Impact of Pending Appeals. The Fiscal Consultant reviewed assessment appeals data from the County for fiscal years 2010-11 through 2012-13, to determine the potential impact that pending appeals may have on the projected Tax Revenues. According to the Fiscal Consultant, a total of 175 appeals were filed during such period. Of those 175 appeals, 93 appeals were resolved and 82 appeals remained outstanding as of December 2014. Of the 93 appeals that were resolved during such period, 77 appeals or 83% of resolved appeals resulted in reductions in assessed value totaling approximately \$141 million; representing a total reduction in assessed value of 18%.

As of December 2014, there were appeals pending with respect to property within the Project Area with a total assessed value of approximately \$1.339 billion. The Fiscal Consultant notes that, assuming an 18% reduction in assessed value (based on actual reductions of assessed value during fiscal years 2010-11 through 2012-13), the Successor Agency can expect to experience a further reduction in assessed value of approximately \$238.5 million thereby resulting in a reduction in Tax Revenues of approximately \$2.385 million. Any successful appeals will also result in refunds of property taxes previously paid by property owners, which in some cases could include refunds for multiple fiscal years. The projections of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREA – Projected Available Net Tax Increment and Estimated Debt Service Coverage" take into account reductions in assessed value related to pending appeals assuming an 18% reduction in assessed value and that such reductions would be reflected in equal amounts on the fiscal year 2015-16 and 2016-17 tax rolls. See "APPENDIX H - FISCAL CONSULTANT'S REPORT" for further information regarding pending assessment appeals.

The Fiscal Consultant reports that all property owned by Cisco Systems, Inc., and its subsidiary Cisco Technology Inc., in the Project Area are the subject of pending appeals. The projections of Tax Revenues prepared by the Fiscal Consultant and set forth in the section of this Official Statement entitled "THE PROJECT AREA – Projected Available Net Tax Increment and Estimated Debt Service Coverage" assume that the such appeals will result in a 18% reduction in assessed value based on historical figures. Owners of the 2015 Bonds should assume that Cisco Systems, Inc., and its subsidiary Cisco Technology Inc., will continue to appeal assessed values in the future.

Proposition 8 Reductions. As discussed in "PROPERTY TAXATION IN CALIFORNIA – Proposition 8" above, Proposition 8 allows a temporary reduction in assessed value when the current market value of a property is less than the current assessed value as of the lien date.

The Fiscal Consultant reviewed data regarding Proposition 8 reductions for residential and non-residential properties in the Project Area for fiscal years 2009-10 through 2014-15. The following table summarizes reductions and increases in assessed value for residential and non-residential properties in the Project Area for fiscal years 2009-10 through 2014-15 tax rolls.

**TABLE 8
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Proposition 8 Reductions and Increases**

	<i>Residential Properties</i>	<i>Non- Residential Properties</i>	<i>Total</i>
<i>Declines - 2009-10 through 2012-13</i>			
Number of Parcel Declines ⁽¹⁾	1,385	70	1,455
Percentage of all Parcels	43%	8%	-
Total Value Decline	\$163,266,450	\$321,533,787	\$484,800,237
<i>Increases - 2012-13 to 2014-15</i>			
Number of Parcel Increases	1,313	64	1,377
Percentage of all Parcels	42%	7%	-
Total Value Increase	\$160,136,610	\$308,053,554	\$468,190,164

(1) With respect to non-residential properties, figures reflect Proposition 8 reductions from fiscal year 2009-10 through fiscal year 2011-12 only.

Source: Fraser & Associates.

As shown in the table above, the assessed values of 1,385 residential parcels (including single and multifamily parcels) in the Project Area were reduced under Proposition 8 during fiscal years 2009-10 through fiscal year 2012-13, resulting in a total reduction in assessed values of residential parcels within the Project Area of approximately \$163.3 million. In addition, the assessed values of 70 non-residential parcels in the Project Area were reduced under Proposition 8 during fiscal years 2009-10 through fiscal year 2011-12, resulting in a total reduction in assessed values of non-residential parcels within the Project Area of approximately \$321.5 million. The Fiscal Consultant reports that Proposition 8 reductions in assessed values of non-residential parcels within the Project Area occurred primarily during fiscal year 2011-12. The Fiscal Consultant further reports that Proposition 8 reductions were triggered because assessed values of properties within the Project Area exceeded their then current market values as was the case in many areas of the State.

The Fiscal Consultant further reports that in fiscal years 2012-13 through 2014-15, the County partially reversed prior Proposition 8 reductions for 1,313 residential parcels and 64 non-residential parcels within the Project Area, resulting in a total increase in assessed values of approximately \$468.2 million.

The Fiscal Consultant also reviewed sales data for the Project Area for calendar years 2013 and 2014 to determine the likelihood of future Proposition 8 reductions. Based on its review, the Fiscal Consultant reports that sale prices of property within the Project Area exceeded assessed values by approximately 79% and 61% in calendar year 2013 and during

the first nine months of 2014, respectively. The Fiscal Consultant notes that the sale prices have exceeded assessed values, in part, due to new housing development within the Project Area for which only partial value was recorded on the prior year tax rolls as the units were being constructed. The Fiscal Consultant further notes that as of the date of its report, the County had reversed most of the prior residential Proposition 8 reductions. As a result, the Fiscal Consultant has assumed that there would be no further Proposition 8 reductions in fiscal year 2015-16 or future fiscal years for purposes of projections of Tax Revenues. See "THE PROJECT AREAS – Projected Available Net Tax Increment and Estimated Debt Service Coverage."

See "APPENDIX H - FISCAL CONSULTANT'S REPORT" for further information regarding Proposition 8 reductions and increases.

Projected Tax Revenues and Estimated Debt Service Coverage

The Fiscal Consultant prepared projections of Tax Revenues for the Project Area and are shown in the table below. The projections reflect the inflation factor of 1.998% for fiscal year 2014-15 and assume 2% annual real property assessed value growth in fiscal year 2016-17 and each fiscal year thereafter. Other assumptions made by the Fiscal Consultant in calculating the projected Tax Revenues are described in the Fiscal Consultant's Report. See "APPENDIX H – FISCAL CONSULTANT'S REPORT." Housing Set-Aside is not shown as a separate category of revenues because the former Housing Set-Aside is included in Tax Revenues. See "SECURITY FOR THE 2015 BONDS - Housing Set-Aside."

The Fiscal Consultant has also prepared projections of Tax Revenues for the Project Area that reflect the inflation factor of 1.998% for fiscal year 2014-15 and assume 0% annual real property assessed value growth beginning in fiscal year 2016-17. See "APPENDIX H – Fiscal Consultant's Report" for such projections.

TABLE 9
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Projection of Incremental Value and Tax Revenues
(000's Omitted)

Fiscal Year	Gross Tax Increment ⁽¹⁾	Plus Unitary Revenue ⁽³⁾	Less Admin. Fees ⁽⁴⁾	Less Property Tax Refunds ⁽⁵⁾	Less Pass-Through Payments ⁽⁶⁾	Tax Revenues
2014-15	\$51,395	\$262	\$734	\$689	\$8,388	\$41,846
2015-16	52,573 ⁽²⁾	262	751	3,211	7,879	40,994
2016-17	53,753 ⁽²⁾	262	768	3,211	8,324	41,711
2017-18	54,755	262	782	0	8,696	45,540
2018-19	55,779	262	796	0	9,074	46,170
2019-20	56,822	262	811	0	9,460	46,812
2020-21	57,886	262	826	0	9,854	47,468
2021-22	58,972	262	842	0	10,256	48,136
2022-23	60,079	262	858	0	10,665	48,818
2023-24	61,209	262	874	0	11,083	49,514
2024-25	62,361	262	890	0	11,509	50,223
2025-26	63,536	262	907	0	11,944	50,947
2026-27	64,735	262	924	0	12,388	51,685
2027-28	65,957	262	941	0	12,840	52,438
2028-29 ⁽⁷⁾	67,204	262	959	0	13,301	53,206
2029-30	50,584	171	721	0	10,762	39,272
2030-31	51,525	171	735	0	11,111	39,851
2031-32	52,484	171	748	0	11,467	40,441
Total	\$1,046,046	\$4,437	\$14,866	\$7,444	\$189,001	\$835,069

(1) Calculated as 1% of assessed values less base year assessed value of \$799,726,839.

(2) Net of estimated reductions in assessed values within the Project Area of approximately \$119.2 million in each of fiscal years 2015-16 and 2016-17 as a result of pending appeals and inclusive of projected increases in assessed values attributable to new residential development of approximately \$114 million in each of fiscal year 2015-16 and 2016-17 as further described on Table 4 of this Official Statement.

(3) Estimated based on actual unitary revenues for fiscal year 2013-14 and assuming no further increases.

(4) Estimated based on 1.42% of total tax increment, which is the percent such fee represented in fiscal year 2013-14.

(5) Represents estimated refunds of previously collect Tax Revenues as a result of assessment appeals pending as of the date of this Official Statement and prior successful assessment appeals that have not yet been deducted from the Redevelopment Property Tax Trust Fund.

(6) Represent statutory pass-through payments payable pursuant to AB 1290 with respect to the Original Area, the First Amendment Area and the Second Amendment Area.

(7) The Successor Agency may not collect tax increment revenues from the Original Area or repay debt with those revenues after September 1, 2029.

Source: Fraser & Associates

The table below shows estimated debt service coverage on the 2015 Bonds based on the Fiscal Consultant's projections of Tax Revenues for the Project Area assuming an inflation factor of 1.998% for fiscal year 2014-15 and 2% annual real property assessed value growth in fiscal year 2016-17 and each fiscal year thereafter. Other assumptions made by the Fiscal Consultant in calculating projected Tax Revenues in the following table are described in the Fiscal Consultant's Report. See "APPENDIX H – FISCAL CONSULTANT'S REPORT."

TABLE 10
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Estimated Debt Service Coverage
(000's Omitted)

Fiscal Year	Tax Revenues	Debt Service 2015 Bonds*	Debt Service Coverage on 2015 Bonds*
2014-15	\$41,846		
2015-16	40,994		
2016-17	41,711		
2017-18	45,540		
2018-19	46,170		
2019-20	46,812		
2020-21	47,468		
2021-22	48,136		
2022-23	48,818		
2023-24	49,514		
2024-25	50,223		
2025-26	50,947		
2026-27	51,685		
2027-28	52,438		
2028-29 ⁽⁷⁾	53,206		
2029-30	39,272		
2030-31	39,851		
2031-32	40,441		
Total	\$835,069		

* Preliminary; subject to change.

Source: Fraser & Associates; Stifel, Nicolaus & Company

The Fiscal Consultant also reviewed Tax Revenues received by the Successor Agency for each six-month period in fiscal year 2013-14 and estimates of Tax Revenues anticipated to be received in fiscal years 2014-15 and 2015-16 in order to determine debt service coverage on the Prior Bonds and the 2015 Bonds based on such receipts. The table below shows Tax Revenues received by the Successor Agency for each six-month period in fiscal year 2013-14 and estimates of Tax Revenues anticipated to be received by the Successor Agency for each six-month period fiscal years 2014-15 and 2015-16 together with debt service coverage on the Prior Bonds and estimated debt service coverage on the 2015 Bonds. The table below assumes that Tax Revenues equal to one-half of all debt service due on the 2015 Bonds for the period commencing September 2, 2015 though September 1, 2016 will be paid to the Successor Agency on each of January 2, 2016 and June 2, 2016.

**TABLE 11
SUCCESSOR AGENCY TO THE
FORMER MILPITAS REDEVELOPMENT AGENCY
Project Area No. 1
Bond Debt Service Coverage Under Dissolution Act**

Category	2013-14			2014-15			2015-16		
	Actual January- June 2014	Actual July - December 2014	Total	Estimate January- June 2015	Estimated July - December 2015	Total	Estimate January- June 2016	Estimated July - December 2016	Total
Tax Increment	\$22,701,765	\$22,991,062	\$45,692,827	\$25,491,582	\$25,483,754	\$50,975,336	\$24,812,076	\$24,812,076	\$49,624,153
Supplemental / Other Taxes	0	0	0	1,611,236	0	1,611,236	0	0	0
Total Tax Increment / Trust Fund ⁽¹⁾	22,701,765	22,991,062	45,692,827	27,102,818	25,483,754	52,586,572	24,812,076	24,812,076	49,624,153
Obligations									
Property Tax Administration Fees ⁽²⁾	376,544	367,986	744,530	324,319	409,787	734,106	375,430	375,430	750,860
Tax Sharing Payments ⁽³⁾	2,301,192	2,323,990	4,625,182	4,746,531	3,640,980	8,387,511	3,939,546	3,939,546	7,879,092
Tax Revenues for Debt Service	\$20,024,029	\$20,299,086	\$40,323,115	\$22,031,968	\$21,432,987	\$43,464,955	\$20,497,100	\$20,497,100	\$40,994,200
Prior Bonds Debt Service ⁽⁴⁾	3,784,804	9,903,804	13,688,608	3,630,804	10,055,805	13,686,609	0	0	0
2015 Bonds Debt Service*	0	0	0	0	0	0	6,153,575	6,153,575	12,307,150
Total Debt Service	3,784,804	9,903,804	13,688,608	3,630,804	10,055,805	13,686,609	6,153,575	6,153,575	12,307,150
Remaining Revenue	\$16,239,225	\$10,395,282	\$26,634,507	\$18,401,164	\$11,377,182	\$29,778,346	\$14,343,525	\$14,343,525	\$28,687,050
Other Obligations ⁽⁵⁾	5,903,487	211,739	6,115,226	5,222,782	0	0	5,222,782	0	0
Coverage	529%	205%	295%	607%	213%	318%	333%	333%	333%

(1) Reflects actual receipts based on the records of the Successor Agency for fiscal years 2012-13 and 2013-14 and the January 2015 ROPS payment.

(2) As reported by the County Auditor-Controller. Fiscal year 2014-15 figures represent estimates.

(3) Represents statutory pass-through payments payable pursuant to AB 1290 with respect to the Original Area, the First Amendment Area and the Second Amendment Area.

(4) Represents bond year debt service for the Prior Bonds.

(5) Represents payments to the County pursuant to the Land Purchase Agreement.

* Preliminary; subject to change.

Source: Fraser & Associates; Fieldman Rolapp & Associates

RISK FACTORS

The following information should be considered by prospective investors in evaluating the 2015 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the 2015 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

The various legal opinions to be delivered concurrently with the issuance of the 2015 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.

Recognized Obligation Payment Schedule

The Dissolution Act provides that only those payments listed in a Recognized Obligation Payment Schedule may be made by a successor agency from the funds specified in the Recognized Obligation Payment Schedule. Pursuant to Section 34177 of the Dissolution Act, not less than 90-days prior to each January 2 and June 1, the Successor Agency shall submit to the Oversight Board and the DOF, a Recognized Obligation Payment Schedule. For each semiannual period, the Dissolution Act requires each successor agency to prepare and approve, and submit to the successor agency's oversight board and the DOF for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Consequently, Tax Revenues will not be withdrawn from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller and remitted to the Successor Agency without a duly approved and effective Recognized Obligation Payment Schedule to pay debt service on the 2015 Bonds and to pay other enforceable obligations. In the event the Successor Agency were to fail to file a Recognized Obligation Payment Schedule with respect to a six-month period and, if applicable, the following half of the calendar year, the availability of Tax Revenues to the Successor Agency could be adversely affected for such period. See "SECURITY FOR THE 2015 BONDS - Recognized Obligation Payment Schedules."

If a successor agency does not submit a Recognized Obligation Payment Schedule within five business days of the date upon which the Recognized Obligation Payment Schedule is to be used to determine the amount of property tax allocations and the DOF does not provide a notice to the County Auditor-Controller to withhold funds from distribution to taxing entities, amounts in the Redevelopment Property Tax Trust Fund for such six-month period would be distributed to taxing entities as more fully described in the section of this Official Statement entitled, "SECURITY FOR THE 2015 BONDS - Recognized Obligation Payment Schedules."

For a description of the covenants made by the Successor Agency in the Indenture relating to the obligation to submit Recognized Obligation Payment Schedules on a timely basis, and the Successor Agency's history of submissions of Recognized Obligation Payment Schedules, see "SECURITY FOR THE 2015 BONDS – Recognized Obligation Payment Schedules."

AB 1484 also added provisions to the Dissolution Act implementing certain penalties in the event a successor agency does not timely submit a Recognized Obligation Payment Schedule for a six-month period. Specifically, a Recognized Obligation Payment Schedule must be submitted by the successor agency to the oversight board, to the county administrative officer, the county auditor-controller, the DOF, and the State Controller no later than 90 days before the date of the next January 2 or June 1 property tax distribution with respect to each subsequent six-month period. If a successor agency does not submit a Recognized Obligation Payment Schedule by such deadlines, the city or county that established the redevelopment agency will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the DOF. Additionally, a successor agency's administrative cost allowance is reduced by 25% if the successor agency does not submit an oversight board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

Challenges to Dissolution Act

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

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

After hearing by the Sacramento County Superior Court on May 3, 2013, the Superior Court ruled that Syncora's constitutional claims based on contractual impairment were premature. The Superior Court also held that Syncora's takings claims, to the extent based on the same arguments, were also premature. Pursuant to a Judgment stipulated to by the parties, the Superior Court on October 3, 2013, entered its order dismissing the action. The Judgment, however, provides that Syncora preserves its rights to reassert its challenges to the Dissolution Act in the future. The Successor Agency does not guarantee that any reassertion of challenges by Syncora or that the final results of any of the judicial actions brought by others challenging the Dissolution Act will not result in an outcome that may have a material adverse effect on the Successor Agency's ability to timely pay debt service on the 2015 Bonds.

Change in Source of Tax Revenues

Because of the varying plan limits discussed above, Tax Revenues will no longer be collected from the Original Area after September 21, 2029. Consequently, there will be a period prior to the final maturity date of the 2015 Bonds during which the Successor Agency will be able to pay debt service on the 2015 Bonds only from property tax revenues allocated to the Successor Agency from the First Amendment Area, the Second Amendment Area and the Midtown Area. Based on the projections of Tax Revenues prepared by the Fiscal Consultant (see “THE PROJECT AREA – Projected Available Net Tax Increment and Estimated Debt Service Coverage”), the Successor Agency expects Tax Revenues from the First Amendment Area, the Second Amendment Area and the Midtown Area after September 21, 2029 will be sufficient to pay debt service on the 2015 Bonds and the 2015 Bonds have been structured to take into account this revenue drop.

Concentration of Property Ownership

Based on fiscal year 2014-15 locally assessed taxable valuations, the following property owners represent significant ownership concentrations:

Property Owner	Percent of Total Value	Percent of Incremental Value	Subarea
Cisco Technology Inc.	16.39%	18.94%	Second Amendment Area
KLA Tencor Corporation	4.78	5.52	Second Amendment Area

Each of these property owners have pending assessed value appeals with respect to their property in the Project Area. The bankruptcy, termination of operations or departure from the Project Area by one of the largest property owners from the Project Area could adversely impact the availability of Tax Revenues to pay debt service on the 2015 Bonds.

Reduction in Taxable Value

Tax increment revenue available to pay principal of and interest on the 2015 Bonds are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Successor Agency’s control, such as relocation out of the 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 tax increment available to pay debt service on the 2015 Bonds. Such reduction of tax increment available to pay debt service on the 2015 Bonds could have an adverse effect on the Successor Agency’s ability to make timely payments of principal of and interest on the 2015 Bonds; this risk could be increased by the significant concentration of property ownership in the Project Area.

The County calculates tax increment to redevelopment project areas by applying a one percent rate to the secured and unsecured incremental taxable values. The County also allocates unitary revenue on the basis of the total unitary revenue in a project area, without reductions for base year revenues. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

As described in greater detail under the heading "PROPERTY TAXATION IN CALIFORNIA – Article XIII A of the State Constitution," Article XIII A 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 2015 Bonds could reduce tax increment available to pay debt service on the 2015 Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction with the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Successor Agency. Although the federal and State Constitutions include clauses generally prohibiting the California Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. 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 available to pay debt service on the 2015 Bonds and adversely affect the source of repayment and security of the 2015 Bonds.

Risks to Real Estate Market

The Successor Agency's ability to make payments on the 2015 Bonds will be dependent upon the economic strength of the Project Area. The general economy of the Project Area will be subject to all of the risks generally associated with urban real estate 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 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 significant decline in the general economy of the Project Area, the owners of property within the Project Area may be less able or less willing to make timely payments of property taxes or may petition for reduced assessed valuation causing a delay or interruption in the receipt of Tax Revenues by the Successor Agency from the Project Area. See "THE PROJECT AREA - Projected Available Net Tax Increment and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2015 Bonds.

Reduction in Inflationary Rate

As described in greater detail below, Article XIII A of the State Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. The Successor Agency is unable to predict if any further adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection of Taxes

The Successor Agency has no independent 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 tax increment available to pay debt service on the 2015 Bonds.

Although delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Successor Agency's ability to make timely payments on the 2015 Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by net tax increment. See "THE PROJECT AREA - Projected Available Net Tax Increment and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2015 Bonds.

Bankruptcy and Foreclosure

The payment of the property taxes from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the 2015 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Although such delay would increase the possibility of delinquent tax installments not being paid in full and thereby increase the likelihood of a delay or default in payment of the principal of and interest on the 2015 Bonds, the Successor Agency believes any such adverse impact is unlikely in light of the debt service coverage provided by fiscal year 2013-14 net tax increment. See "THE PROJECT AREA - Projected Available Net Tax Increment and Estimated Debt Service Coverage" for a description of the debt service coverage on the 2015 Bonds.

Estimated Revenues

In estimating that net tax increment will be sufficient to pay debt service on the 2015 Bonds, the Successor Agency and Fiscal Consultant have made certain assumptions with regard to present and future assessed valuation in the Project Area, future tax rates and percentage of taxes collected. The Successor Agency believes these assumptions to be reasonable, but there is no assurance these assumptions will be realized and to the extent that the assessed valuation and the tax rates are less than expected, the net tax increment available to pay debt service on the 2015 Bonds will be less than those projected and such reduced net tax increment may be insufficient to provide for the payment of principal of, premium (if any) and interest on the 2015 Bonds.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators

of 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. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Natural Disasters

The value of the property in the Project Area in the future can be adversely affected by a variety of additional factors, particularly those which may affect infrastructure and other public improvements and private improvements on property and the continued habitability and enjoyment of such private improvements. Such additional factors include, without limitation, geologic conditions such as earthquakes, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts. In the event that one or more of such conditions occur, such occurrence could cause damages of varying seriousness to the land and improvements and the value of property in the Project Area could be diminished in the aftermath of such events. A substantial reduction of the value of such properties could affect the ability or willingness of the property owners to pay the property taxes.

Seismic. The City, like most regions in the State of California, is located in an area of seismic activity and therefore, could be subject to potentially destructive earthquakes. The Hayward fault trends northwest through the western portion of the Milpitas foothills and the Calaveras fault trends northwest through the Calaveras Reservoir, approximately 1 1/2 miles northeast of the City. The San Andreas fault trends northwestward through the Santa Cruz Mountains approximately 13 miles southwest of the City. All of these faults are active and have produced damaging earthquakes in the historic past. Other active and potentially active faults are present in the Bay Area and may produce earthquakes that could affect the City.

The occurrence of severe seismic activity in the City could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed values of such property. Such a reduction of assessed valuations could result in a reduction of the Tax Revenues.

Flood. Approximately one-quarter of the City is within areas designated by the Federal Emergency Management Agency (“**FEMA**”) as Special Flood Hazard Areas. Special Flood Hazard Areas are areas within the 100-year flood boundary as mapped by FEMA. The Special Flood Hazard Areas within the City are generally located near the Calera, Penitencia, Berryessa, Los Coches and Tularcitos creeks. Severe flooding in the City could result in substantial damage to property located in the Project Area, and could lead to successful appeals for reduction of assessed value of such property. Such reductions could result in reductions of the Tax Revenues.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the California Legislature will not enact legislation that will amend the Dissolution Act, the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of tax increment available to pay debt service on the 2015 Bonds.

Loss of Tax-Exemption

As discussed under the caption "TAX MATTERS," interest on the 2015 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the 2015 Bonds were issued, as a result of future acts or omissions of the Successor Agency in violation of its covenants in the Indenture.

In addition, current and future legislative proposals, if enacted into law, may cause interest on the 2015 Bonds to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by individuals.

Should such an event of taxability occur, the 2015 Bonds are not subject to special redemption and will remain outstanding until maturity or until redeemed under other provisions set forth in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the 2015 Bonds, or, if a secondary market exists, that the 2015 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the 2015 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Successor Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the 2015 Bonds. The Successor Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2015 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2015 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a 2015 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2015 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2015 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2015 Bonds who purchase the 2015 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2015 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2015 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the 2015 Bond (said term being the shorter of the 2015 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2015 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2015 Bond is amortized each year over the term to maturity of the 2015 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates).

Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium 2015 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

In the further opinion of Bond Counsel, interest on the 2015 Bonds is exempt from California personal income taxes.

Owners of the 2015 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the 2015 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the 2015 Bonds other than as expressly described above.

CONCLUDING INFORMATION

Underwriting

The 2015 Bonds are being purchased by a syndicate of underwriters lead by Stifel, Nicolaus & Company, Incorporated (“**Stifel**”), and consisting of Stifel, Morgan Stanley and Piper Jaffray & Co. (collectively, the “**Underwriters**”). The Underwriters have agreed to purchase the 2015 Bonds at a price of \$_____ (being the principal amount of the 2015 Bonds less a net original issue discount of \$_____ and less an Underwriters’ discount of \$_____). The Underwriters will purchase all of the 2015 Bonds if any are purchased. The Underwriters may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement. The offering price may be changed from time to time by the Underwriters.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an Underwriter of the 2015 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2015 Bonds.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the “Agreement”) which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the 2015 Bonds. Under the Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray & Co.

Legal Opinion

The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will be furnished to the purchaser at the time of delivery of the 2015 Bonds.

A copy of the proposed form of Bond Counsel’s final approving opinion with respect to the 2015 Bonds is attached hereto as Appendix B.

Certain legal matters will be passed on by Jones Hall, A Professional Law Corporation, as Disclosure Counsel and Quint & Thimmig LLP, as Underwriters' Counsel.

In addition, certain legal matters will be passed upon for the Successor Agency by the City Attorney of the City.

Compensation paid to Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the sale and delivery of the 2015 Bonds.

Financial Advisor

The Successor Agency has retained the Financial Advisor in connection with the authorization, issuance, sale and delivery of the 2015 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent registered municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Litigation

There is no action, suit or proceeding known to the Successor Agency to be pending and notice of which has been served upon and received by the Successor Agency, or threatened, restraining or enjoining the execution or delivery of the 2015 Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing or any proceedings of the Successor Agency taken with respect to any of the foregoing or seeking to restrain or enjoin the repayment of the 2015 Bonds or which, in any manner, questions the right of the Successor Agency to use the Tax Revenues for repayment of the 2015 Bonds or affects in any manner the right or ability of the Successor Agency to collect or pledge the Tax Revenues. See, however, "RISK FACTORS- Challenges to Dissolution Act."

Ratings

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**"), has assigned its rating of "____" to the 2015 Bonds. The rating reflects only the view of S&P as to the credit quality of the 2015 Bonds, and explanation of the significance of the ratings may be obtained from S&P.

The rating issued reflects only the view of S&P, and any explanation of the significance of such rating should be obtained from S&P. There is no assurance that such rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating obtained may have an adverse effect on the market price of the 2015 Bonds.

Continuing Disclosure

The Successor Agency will covenant for the benefit of owners of the 2015 Bonds to provide certain financial information and operating data relating to the Successor Agency by not later than March 31 after the end of each fiscal year of the Successor Agency (currently June

30th), commencing not later than March 31, 2015 with the report for the 2013-14 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain listed events. This Official Statement constitutes the Annual Report for the 2013-14 fiscal year. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in "APPENDIX D - FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriters (as defined below) in complying with Securities Exchange Commission Rule 15c2 12(b)(5) (the "**Rule**").

The City and certain related entities, including the Former Agency, previously entered into certain disclosure undertakings under the Rule in connection with the issuance of long-term obligations. During the past five years, the City and such related entities have, in some instances, failed to comply with their undertakings. The City and Successor Agency have remedied such historical non-compliance.

In particular, certain of the City's audited financial statements and annual reports were filed after their respective annual filing deadlines as follows:

(i) audited financial statements for fiscal years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 with respect to the City's Local Improvement District No. 18 Limited Obligation Improvement Bonds, 1996 Series A issued in 1996 were filed 1,452 days, 1,087 days, 722 days, 356 days and 76 days late, respectively;

(ii) audited financial statements for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 with respect to the City's Local Improvement District No. 18 Limited Obligation Refunding Improvement Bonds, Reassessment and Refunding of 1998 issued in 1998 were filed 1,393 days, 1,028 days, 662 days and 297 days late, respectively;

(iii) audited financial statements for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 with respect to the City's Local Improvement District No. 20 Limited Obligation Improvement Bonds, 1998 Series A issued in 1998 were filed 1,393 days, 1,028 days, 662 days and 297 days late, respectively;

(iv) audited financial statements for fiscal years 2008-09, 2009-10, 2010-11 and 2011-12 with respect to the City's Local Improvement District No. 18 Limited Obligation Improvement Bonds, 1998 Series A issued in 1998 were filed 1,393 days, 1,028 days, 662 days and 297 days late, respectively;

(v) audited financial statements for fiscal years 2008-09 and 2009-10 with respect to the City's Local Improvement District Nos. 9R and 12R Limited Obligation Refunding Improvement Bonds, Reassessment and Refunding of 1999 were filed 174 days and 147 days late, respectively;

(vi) annual reports for fiscal years 2008-09 and 2009-10 with respect to the City's Local Improvement District Nos. 9R and 12R Limited Obligation Refunding Improvement Bonds, Reassessment and Refunding of 1999 were filed 119 days and 120 days late, respectively; and

(vii) audited financial statements for fiscal year 2009-10 with respect to the Prior Bonds were filed 1,162 days late.

The City and its related entities did not always timely file event notices regarding

changes to the underlying ratings and/or insured ratings of certain of its bonds. The City and its related entities have corrected past deficiencies and as of the date hereof, to the best of the City's knowledge, the City and its related entities have filed all required annual reports, semi-annual reports and notices of rating changes for its currently outstanding debt obligations.

The City has retained Willdan Financial Services to provide continuing disclosure services to ensure compliance with its continuing disclosure undertakings in the future. To further ensure such compliance, the City has appointed its Finance Director to coordinate the preparation of annual disclosure reports by Willdan Financial Services and the filing of such reports by the City's Finance Department and anticipates adopting policies and procedures related thereto.

Audited Financial Statements

The City of Milpitas's Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2014 (the "**City CAFR**") is attached as Appendix E. The City's CAFR includes the Successor Agency's audited financial statements for the fiscal year ended June 30, 2014. The Successor Agency's audited financial statements were audited by Maze & Associates, Accountancy Corporation (the "**Auditor**"). The Auditor has not been asked to consent to the inclusion of the Successor Agency's audited financial statements in this Official Statement and has not reviewed this Official Statement.

As described in "SECURITY FOR THE 2015 BONDS - Limited Obligation," the 2015 Bonds are payable from and secured by a pledge of Tax Revenues and the 2015 Bonds are not a debt of the City. The City's CAFR is attached as Appendix E to this Official Statement only because it includes the Successor Agency's audited financial statements.

Miscellaneous

All of the preceding summaries of the Indenture, the Redevelopment Law, the Dissolution Act, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Successor Agency for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2015 Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

**SUCCESSOR AGENCY TO THE FORMER
MILPITAS REDEVELOPMENT AGENCY**

By: _____ /s/ _____
Executive Director

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX B
FORM OF BOND COUNSEL OPINION

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Successor Agency takes no responsibility for the completeness or accuracy thereof. The Successor Agency cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the 2015 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2015 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2015 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2015 Bonds. The 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing Successor Agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information set forth on such website is not incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on

the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2015 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Successor Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Successor Agency or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the

Successor Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the 2015 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Successor Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2015 Bonds at any time by giving reasonable notice to the Successor Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the 2015 Bonds are required to be printed and delivered.

The Successor Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the 2015 Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Successor Agency believes to be reliable, but the Successor Agency takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF SUCCESSOR AGENCY CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the Successor Agency to the Former Milpitas Redevelopment Agency (the "Successor Agency") in connection with the issuance of \$_____ Successor Agency to the Former Milpitas Redevelopment Agency 2015 Tax Allocation Refunding Bonds (Redevelopment Project Area No. 1) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust dated as of March 1, 2015, by and between the Successor Agency and the U.S. Bank National Association, as trustee. The Successor Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Successor Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the Successor Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" shall mean Willdan Financial Services, or any successor Dissemination Agent designated in writing by the Successor Agency and which has filed with the Successor Agency a written acceptance of such designation.

"EMMA System" shall mean the Electronic Municipal Market Access system of the MSRB or such other electronic system designated by the MSRB or the Securities and Exchange Commission for compliance with S.E.C Rule 15c2-12(b).

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Successor Agency shall, or shall cause the Dissemination Agent to, not later than nine (9) months after the end of the Successor Agency's fiscal year (which date currently

would be March 31, based upon the June 30 end of the Successor Agency's fiscal year), commencing with the report for the 2013-14 fiscal year, provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. **The Official Statement constitutes the Annual Report for the 2013-14 fiscal year.** Not later than fifteen (15) Business Days prior to said date, the Successor Agency shall provide the Annual Report to the Dissemination Agent (if other than the Successor Agency). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Successor Agency may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the Successor Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the Successor Agency is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the Successor Agency shall provide to the MSRB, in electronic format as prescribed by the MSRB through the EMMA System, a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Successor Agency, file a report with the Successor Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB through the EMMA System pursuant to this Disclosure Certificate.

Section 4. Content of Annual Reports. The Successor Agency's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the Successor Agency prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for the Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Successor Agency for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds, as follows:

(i) Principal amount of Bonds outstanding as of June 30 of the most recently-completed fiscal year.

- (ii) Balance in the Reserve Account and a statement of the Reserve Requirement as of June 30 of the most recently-completed fiscal year.
- (iii) Information for the most recently-completed fiscal year of the type included in Tables 4, 5 and 7 (if and to the extent the information for Table 5 is available from the County of Santa Clara) of the Official Statement.
- (iv) Notice if, during the most recently-completed fiscal year, the Project Area reached its cumulative tax increment limit.
- (v) A calculation of debt service coverage for the most recently completed fiscal year provided by Tax Revenues with respect to debt service on the Bonds and any outstanding Parity Debt.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Successor Agency or related public entities, which have been submitted to the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Successor Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Successor Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Successor Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Successor Agency or an obligated person, or the sale of all or substantially all of the assets of the Successor Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Successor Agency shall, or shall cause the Dissemination Agent (if not the Successor Agency) to, file a notice of such occurrence with the MSRB through the EMMA System, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Successor Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The Successor Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Successor Agency determines the event's occurrence is material for purposes of U.S. federal securities law. The Dissemination Agent shall not be responsible for determining whether an event is material.

Section 6. Termination of Reporting Obligation. The Successor Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon the delivery to the Dissemination Agent of an opinion of nationally recognized bond counsel retained by the Successor Agency to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the Successor Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent.

(a) The Successor Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Successor Agency pursuant to this Disclosure Certificate, unless the Successor Agency is the Dissemination Agent, as provided herein. The initial Dissemination Agent shall be Willdan Financial Services. If at any time there is no designated Dissemination Agent appointed by the Successor Agency, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Successor Agency shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent may resign by providing thirty days written notice to the Successor Agency and the Trustee.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon written notice to the Successor Agency.

(b) The Dissemination Agent shall be paid compensation by the Successor Agency for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Successor Agency from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent (unless the Successor Agency is the Dissemination Agent) shall have no duty or obligation to review any information provided to it by the Successor Agency hereunder and shall not be deemed to be acting in any fiduciary capacity for the Successor Agency, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the Successor Agency or an opinion of nationally recognized bond counsel retained by the Successor Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Successor Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied (provided no amendment or waiver shall be made that affects the duties or rights of the Dissemination Agent without its written consent):

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel retained by the Successor Agency, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of

holders, or (ii) does not, in the opinion of nationally recognized bond counsel retained by the Successor Agency, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Successor Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB through the EMMA System in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Successor Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Successor Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Successor Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Successor Agency to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Successor Agency to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Successor Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article VI of the Indenture insofar as they relate to the Trustee shall apply to the Trustee and the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Successor Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may rely and shall be protected in

acting or refraining from acting upon any direction from the Successor Agency or an opinion of nationally recognized bond counsel retained by the Successor Agency. The obligations of the Successor Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person, other than the Successor Agency, shall have any right to commence any action against the Trustee or Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Certificate.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Successor Agency, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____

SUCCESSOR AGENCY TO THE FORMER
MILPITAS REDEVELOPMENT AGENCY

By _____

Name _____

Title _____

AGREED AND ACCEPTED:
WILLDAN FINANCIAL SERVICES,
AS DISSEMINATION AGENT

By: _____

Name: _____

Title: _____

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Successor Agency to the Former Milpitas Redevelopment Agency

Name of Bond Issue: \$_____ Successor Agency to the Former Milpitas
Redevelopment Agency 2015 Tax Allocation Refunding Bonds
(Redevelopment Project Area No. 1)

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Successor Agency to the Milpitas Redevelopment Agency (the "Issuer") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust, dated as of March 1, 2015, by and between the Successor Agency and the Trustee, by and between the Successor Agency to the Former Milpitas Redevelopment Agency and U.S. Bank National Association, as trustee. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

SUCCESSOR AGENCY TO THE FORMER
MILPITAS REDEVELOPMENT AGENCY

By _____

Name _____

Title _____

cc: Trustee

APPENDIX E
SUCCESSOR AGENCY FINANCIAL STATEMENTS
THROUGH JUNE 30, 2014

APPENDIX F

STATE DEPARTMENT OF FINANCE APPROVAL LETTER

APPENDIX G

GENERAL INFORMATION ABOUT THE CITY OF MILPITAS AND THE COUNTY OF SANTA CLARA

The following information concerning Santa Clara County (the “County”) and the City of Milpitas (the “City”) is included only for the purpose of supplying general information regarding the Project Area. The Refunding Bonds are not a debt of the County, the City, the State of California (the “State”) or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor.

General

The County. Santa Clara County (the “County”) covers an area of over 1,300 square miles and is located south of the San Francisco Bay in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has more of an agricultural base and is comprised of only two cities, twenty miles apart from each other. As a contrast, North County is densely populated, heavily industrialized and extensively urbanized. This part of the County is comprised of 13 cities, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as “Silicon Valley.” Several small lakes and reservoirs are scattered across the County and the highest peak can be found in San José at Mount Hamilton with an elevation of 4,213 feet. Several major highways serve the County, including Highway 101 providing access to San Francisco and Los Angeles.

The City. The City of Milpitas (the “City”) was incorporated in January 1954 and is located 45 miles south of San Francisco in the northern part of Santa Clara County. Once a small agricultural town and later a stop-over point for travelers between Oakland and San Jose, Milpitas has grown into one of the world’s premier computer and semiconductor producers. Located in the northeastern side of the “Silicon Valley,” the City encompasses 13.63 square miles.

Milpitas is a general law city, incorporated in 1954. It operates under a Council-Manager form of government. The City’s political and legislative body is the City Council and is empowered by the general laws of the State of California to formulate citywide policy, including a fiscal program, City services and appointment of City Manager and City Attorney. There are four City Council members who are elected at-large for staggered four –year terms, and the Mayor is selected every two years in a separate citywide election.

The City provides a full range of municipal services. These include: police, fire, neighborhood services, public improvements, planning, building and public facility inspection, engineering, water and sewer utilities, redevelopment, and general administrative services.

Population

The following table lists population estimates for the City, the County and the State of California for the last five years, as of January 1 each year.

CITY OF MILPITAS, COUNTY OF SANTA CLARA, STATE OF CALIFORNIA
Population Estimates
Years 2010 through 2014, as of January 1

Year	City of Milpitas	Santa Clara County	State of California
2010	66,672	1,781,427	37,223,900
2011	66,637	1,794,337	37,427,946
2012	66,865	1,813,702	37,668,804
2013	67,845	1,840,895	37,984,138
2014	70,092	1,868,558	37,340,074

Source: California Department of Finance, Demographic Research Unit.

Industry and Employment

The City is part of the San Jose Sunnyvale Santa Clara Metropolitan Statistical Area (“MSA”), which is comprised of Santa Clara and San Benito Counties. The unemployment rate in the San Jose-Sunnyvale-Santa Clara MSA was 5.2% in September 2014, down from a revised 5.5% in August 2014, and below the year-ago estimate of 6.6%. This compares with an unadjusted unemployment rate of 6.9% for California and 5.7% for the nation during the same period. The unemployment rate was 6.5% in San Benito County, and 5.2% in Santa Clara County.

SANTA CLARA COUNTY Civilian Labor Force, Employment and Unemployment Calendar Years 2009 through 2013 March 2013 benchmark

	2009	2010	2011	2012	2013
Civilian Labor Force ⁽¹⁾	875,700	879,600	891,500	910,400	923,200
Employment	781,000	782,600	804,200	833,700	860,100
Unemployment	94,800	97,000	87,400	76,700	63,200
Unemployment Rate	10.8%	11.0%	9.8%	8.4%	6.8%
<u>Wage and Salary Employment:</u>					
Agriculture	3,500	3,500	3,400	3,300	3,400
Mining and Logging	200	200	200	200	300
Construction	33,400	31,400	30,900	33,900	36,700
Manufacturing	151,300	148,900	152,600	153,200	153,300
Wholesale Trade	35,200	34,500	33,500	34,500	36,200
Retail Trade	77,100	76,800	79,600	81,900	82,700
Transportation, Warehousing, Utilities	11,900	11,700	11,800	12,700	13,600
Information	43,800	46,300	51,200	54,100	58,600
Finance and Insurance	18,100	18,100	19,200	20,200	20,400
Real Estate and Rental and Leasing	13,100	12,700	12,900	12,800	12,800
Professional and Business Services	160,400	160,800	166,600	177,700	190,200
Educational and Health Services	120,200	122,500	124,800	132,700	143,400
Leisure and Hospitality	73,500	73,800	76,300	81,300	86,100
Other Services	24,100	23,900	24,100	24,300	25,000
Federal Government	10,600	10,500	10,000	9,700	9,800
State Government	6,600	6,200	6,200	6,200	6,100
Local Government	76,200	74,700	73,700	72,800	73,200
Total all Industries ⁽²⁾	859,100	856,600	876,900	911,500	951,600

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Principal Employers

14. The following table lists the principal employers within the City for the fiscal year 2013-

**CITY OF MILPITAS
Principal Employers
As of June 30, 2014**

Employer Name	No. of Employees	% of City Employment
Cisco Systems, Inc.	3,816	11.43%
KLA-Tencor Corporations	2,402	7.19
SanDisk Corporation	1,875	5.61
Linear Technology Corporation	1,240	3.71
Flextronics International	1,200	3.59
Milpitas Unified School District	841	2.52
FireEye, Inc.	702	2.10
Headway Technologies	699	2.09
Spectra Laboratories	350	1.05
Kaiser Permanente	350	1.05

Source: City of Milpitas Comprehensive Annual Fiscal Report for Fiscal Year Ended June 30, 2014.

The following table lists the largest manufacturing and non-manufacturing employers within the County as of November 2014:

**COUNTY OF SANTA CLARA
Major Employers
As of November 2014
(In Alphabetical Order)**

Employer Name	Location	Industry
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Computers-System Designers & Consultants
Apple Inc	Cupertino	Computers-Electronic-Manufactu
Bon Appetit-Cafe Adobe	San Jose	Restaurant Management
California's Great America	Santa Clara	Amusement Places
Christopher Ranch Llc	Gilroy	Garlic (Mfrs)
Fine Pitch	Milpitas	Solar Energy Equipment-Manufacturers
Gca Services	Alviso	Janitor Service
General Motors Advanced Tech	Palo Alto	Automobile-Manufacturers
Hewlett-Packard Co	Palo Alto	Computers-Electronic-Manufactu
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Kaiser Permanente Medical Ctr	San Jose	Hospitals
Kaiser Permanente Medical Grp	San Jose	Hospitals
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Microsoft Corp	Mountain View	Computer Software-Manufacturers
Nasa	Mountain View	Federal Government-Space Research/Tech
Net App Inc	Sunnyvale	Computer Storage Devices (Mfrs)
Philips Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
San Jose State	San Jose	Schools-Universities & Colleges Academic
Santa Clara Valley Med Ctr	San Jose	Hospitals
Sap Center At San Jose	San Jose	Stadiums Arenas & Athletic Fields
Silicon Valley Sports & Entrtn	San Jose	Entertainment Bureaus
Stanford Univ School Medicine	Stanford	Schools-Medical
Surgecenter of Palo Alto	Palo Alto	Surgical Centers
Va Medical Ctr-Palo Alto	Palo Alto	Hospitals

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2014 2nd edition.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State of California and the United States for the period 2009 through 2013.

**CITY OF MILPITAS, SANTA CLARA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES
EFFECTIVE BUYING INCOME
As of January 1, 2009 through 2013**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2009	City of Milpitas	\$ 1,856,665	\$ 79,012
	Santa Clara County	55,561,405	71,077
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Milpitas	1,736,263	74,872
	Santa Clara County	53,692,143	68,047
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Milpitas	1,766,410	74,066
	Santa Clara County	54,491,135	67,801
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Milpitas	1,760,820	73,766
	Santa Clara County	61,464,868	68,852
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Milpitas	1,881,475	76,417
	Santa Clara County	61,802,913	70,595
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

Commercial Activity

In 2009, the SBE converted the business codes of sales and use tax permit holders to North American Industry Classification System codes. As a result of the coding change, data for 2009 is not comparable to that of prior years. Summaries of historic taxable sales within the City and the County during the past five years in which data is available are shown in the following tables. Annual figures for calendar year 2013 or 2014 are not yet available.

Total taxable sales during the first two quarters of calendar year 2013 in the City were reported to be \$824,335,000, a 5.76% decrease over the total taxable sales of \$874,740,000 reported during the first two quarters of calendar year 2012.

**CITY OF MILPITAS
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2008 through 2012 (Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2008	987	\$983,912	2,026	\$1,401,011
2009 ⁽¹⁾	1,130	867,997	1,884	1,270,513
2010 ⁽¹⁾	1,143	1,008,956	1,846	1,410,525
2011 ⁽¹⁾	1,180	1,095,281	1,905	1,515,305
2012 ⁽¹⁾	1,193	1,204,355	1,914	1,763,290

(1) Data for retail stores not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the first two quarters of calendar year 2013 in the County were reported to be \$17,965,400,000, a 4.61% increase over the total taxable sales of \$17,173,998,000 reported during the first two quarters of calendar year 2012.

**COUNTY OF SANTA CLARA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2008 through 2012 (Dollars in Thousands)**

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2008	20,603	\$19,313,313	47,253	\$32,274,306
2009 ⁽¹⁾	26,695	16,385,238	43,396	27,427,709
2010 ⁽¹⁾	27,215	17,695,858	43,583	30,523,322
2011 ⁽¹⁾	27,252	19,419,542	43,390	33,431,217
2012 ⁽¹⁾	28,109	21,116,708	43,980	36,220,445

(1) Data for retail stores not comparable to prior years.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables. Annual figures are not yet available for calendar year 2014.

CITY OF MILPITAS Building Permit Valuation For Calendar Years 2009 through 2013 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Permit Valuation</u>					
New Single-family	\$1,009.9	\$591.5	\$2,523.1	\$25,511.6	\$88,491.4
New Multi-family	11,840.2	55,207.1	40,019.8	20,383.0	140,604.9
Res. Alterations/Additions	<u>9,560.6</u>	<u>3,718.8</u>	<u>4,559.9</u>	<u>3,873.8</u>	<u>3,932.5</u>
Total Residential	22,410.8	59,517.4	47,102.8	49,768.4	233,028.8
New Commercial	0.0	0.0	14,850.0	10,643.8	8,958.0
New Industrial	0.0	0.0	0.0	1,835.9	3,310.0
New Other	677.4	10,555.9	150.0	1,570.0	0.0
Com Alterations/Additions	<u>29,325.0</u>	<u>26,073.1</u>	<u>30,558.3</u>	<u>81,837.6</u>	<u>71,368.6</u>
Total Nonresidential	30,002.4	36,629.1	45,558.3	95,887.3	83,636.7
<u>New Dwelling Units</u>					
Single Family	9	3	7	66	265
Multiple Family	<u>60</u>	<u>413</u>	<u>366</u>	<u>66</u>	<u>577</u>
TOTAL	69	416	373	132	842

Source: Construction Industry Research Board, Building Permit Summary.

SANTA CLARA COUNTY Building Permit Valuation For Calendar Years 2009 through 2013 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>Permit Valuation</u>					
New Single-family	\$245,033.4	\$307,367.4	\$366,126.4	\$678,168.8	\$694,884.6
New Multi-family	74,466.1	457,923.9	315,853.0	558,544.1	941,420.4
Res. Alterations/Additions	<u>259,190.4</u>	<u>320,582.9</u>	<u>392,229.1</u>	<u>288,105.1</u>	<u>423,739.6</u>
Total Residential	578,689.8	1,085,874.3	1,074,208.5	1,524,818.0	2,060,044.6
New Commercial	215,433.8	267,010.0	228,074.5	745,468.8	1,217,647.4
New Industrial	0.0	33,862.0	68,701.3	22,481.5	72,222.0
New Other	213,976.4	119,682.9	47,728.5	19,197.3	1,749,161.2
Com Alterations/Additions	<u>758,365.7</u>	<u>735,059.6</u>	<u>1,122,235.2</u>	<u>1,115,633.3</u>	<u>1,293,656.1</u>
Total Nonresidential	1,187,775.9	1,155,614.6	1,466,739.5	1,902,780.9	4,332,686.8
<u>New Dwelling Units</u>					
Single Family	667	826	978	1,432	1,859
Multiple Family	<u>450</u>	<u>3,627</u>	<u>2,234</u>	<u>4,245</u>	<u>6,009</u>
TOTAL	1,117	4,453	3,212	5,677	7,868

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX H
FISCAL CONSULTANT'S REPORT