

***VIA CERTIFIED MAIL RETURN RECEIPT REQUESTED
AND VIA REGULAR MAIL***

May 24, 2017

05-25-17A10:24 RCVD

Norma Camacho, Interim Chief Executive Officer
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Re: Subordination Request Relating to Proposed Refunding Bond Issue for
Merged Redevelopment Project Area of the Successor Agency to the
Redevelopment Agency of the City of San José

Dear Ms. Camacho:

Assembly Bill No. 1484, enacted as Chapter 26, Statutes of 2012, allows successor agencies to refund the bonds of their former redevelopment agencies to provide debt service savings and to avoid debt service spikes. I am writing to you on behalf of the Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency") pursuant to Section 34177.5(c) of the California Health and Safety Code (the "Code") regarding the issuance of refunding bonds by the Successor Agency and the subordination of certain payments owed to the Santa Clara Valley Water District (the "District"), as described below.

As you may be aware, the Successor Agency may, with a taxing entity's approval, subordinate amounts (payable from tax increment revenues of a redevelopment project area) that the Successor Agency is required to pay such taxing entity pursuant to Section 33607.5 and Section 34183 of the Code (the "Statutory Pass-through Payments") to the debt service on bonds issued by the Successor Agency. The purpose of this subordination is to increase the creditworthiness of the bonds of the Successor Agency, thereby lowering the interest cost and total debt service on the bonds. At this time, the Successor Agency is expecting to issue refunding bonds (the "Bonds") in multiple series to be secured by the Successor Agency's tax increment revenues from the Merged Redevelopment Project Area (the "Project Area") of the former Redevelopment Agency of the City of San José (the "Former Agency"). The Bonds are being issued: (a) in part, pursuant to Section 34177.5(a)(1) of the Code to lower the total debt service payments made from tax increment revenues from the Project Area on the currently outstanding fixed rate bonds of the Former Agency and (b) in part, pursuant to Section 34177.5(a)(2)

of the Code in order to avoid debt service spikes on certain outstanding bonds of the Former Agency.

The Successor Agency is planning to issue the Bonds in calendar year 2017. Enclosed for your review is a tax increment revenue projection summary that includes a debt service coverage analysis prepared by Urban Analytics LLC (the "Fiscal Consultant"). The Fiscal Consultant's report shows that the Successor Agency can reasonably expect to have sufficient funds available to pay debt service on the Bonds, all of the Statutory Pass-through Payments that it is required to pay to the District, and all other tax sharing payments owed to the various affected taxing entities for the Project Area. The portion of the Bonds being issued for debt service savings will not be issued unless new aggregate debt service on such portion of the Bonds is lower than the aggregate debt service on the bonds to be refunded for debt service savings.

The Successor Agency requests that the District acknowledge the subordination of Statutory Pass-through Payments that the Successor Agency is required to pay the District in connection with the Project Area to the Successor Agency's payment obligations for the Bonds by completing the attached Acknowledgement and return it to me no later than July 10th, 2017.

Please note that, in accordance with Section 34177.5(c)(3) of the Code, if the District does not respond to the requested subordination within forty-eight (48) days of this letter, the subordination will be automatically deemed approved by the District and such approval shall be final and conclusive. Furthermore, to disapprove this subordination, the District must find, based on substantial evidence, that the Successor Agency will not be able to pay the debt service on the Bonds and the Statutory Pass-through Payments that it is required to pay the District.

Thank you in advance for your cooperation in this matter. If you have any questions regarding this matter, please do not hesitate to contact me at (408) 535-7011.

Sincerely,



Julia H. Cooper,
Chief Financial Officer of the Successor
Agency to the Redevelopment Agency of
the City of San José

Enc.

ACKNOWLEDGEMENT

*(Successor Agency to the Redevelopment Agency of the City of San José Merged
Redevelopment Project Area)*

In response to the request by Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency") set forth in a letter dated May 24th, 2017 (the "Subordination Request"), to approve the subordination of Statutory Pass-through Payments, the Santa Clara Valley Water District (the "District") hereby confirms its approval of the subordination of the Successor Agency's obligation to pay Statutory Pass-through Payments to the District in connection with the Project Area to the Successor Agency's payment obligations for the Bonds.

All capitalized terms used but not defined in this Acknowledgement have the meanings ascribed to them in the Subordination Request.

IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement to be signed by its authorized representative on this __ day of _____, 2017.

SANTA CLARA VALLEY WATER DISTRICT

By: _____

Name: _____

Title: _____

**URBAN ANALYTICS REPORT FOR 2017 REFUNDING TAX ALLOCATION BONDS
FOR THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY
OF THE CITY OF SAN JOSE**

Debt Service Coverage & Residual Analysis¹

Year	Pledged Tax Increment ²	Total Debt Service	All-In Coverage	Cash for Other Enforceable Obligations After Refunding	Total Subordinate Payments ³	Projected Residual After Recognized Obligation Payment Schedule Items
8/1/2018	\$263,144,525	\$150,000,000	1.75x	\$113,144,525	\$101,523,232	\$11,621,294
8/1/2019	263,144,525	150,000,000	1.75x	113,144,525	64,857,773	48,286,752
8/1/2020	263,144,525	150,000,000	1.75x	113,144,525	83,281,838	29,862,687
8/1/2021	263,144,525	150,000,000	1.75x	113,144,525	65,229,182	47,915,343
8/1/2022	263,144,525	150,000,000	1.75x	113,144,525	57,943,981	55,200,544
8/1/2023	263,144,525	150,000,000	1.75x	113,144,525	57,992,646	55,151,879
8/1/2024	263,144,525	150,000,000	1.75x	113,144,525	58,043,062	55,101,463
8/1/2025	263,144,525	150,000,000	1.75x	113,144,525	58,108,645	55,035,880
8/1/2026	263,144,525	150,000,000	1.75x	113,144,525	55,342,106	57,802,419
8/1/2027	263,144,525	150,000,000	1.75x	113,144,525	55,342,106	57,802,419
8/1/2028	263,144,525	120,000,000	2.19x	143,144,525	55,342,106	87,802,419
8/1/2029	263,144,525	122,000,000	2.16x	141,144,525	55,342,106	85,802,419
8/1/2030	263,144,525	103,975,000	2.53x	159,169,525	55,342,106	103,827,419
8/1/2031	263,144,525	103,975,000	2.53x	159,169,525	55,342,106	103,827,419
8/1/2032	263,144,525	103,975,000	2.53x	159,169,525	55,342,106	103,827,419
8/1/2033	263,144,525	64,000,000	4.11x	199,144,525	55,342,106	143,802,419
8/1/2034	263,144,525	64,000,000	4.11x	199,144,525	55,342,106	143,802,419
8/1/2035	263,144,525	56,500,000	4.66x	206,644,525	55,342,106	151,302,419
	\$4,736,601,450	\$2,238,425,000		\$2,498,176,450	\$1,100,401,418	\$1,397,775,032

Notes:

1. Market conditions as of May 1, 2017 plus 25 basis points, per Stifel Inc.
2. Assumes PERS and Water District Levies are not available for debt service, and AB1290 and county pass-through payments are subordinate to debt service.
3. Total Subordinated Payments include AB1290, County Pass-through/Settlement, HUD loans, City Advances, and 3rd Party obligations.