

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATINGS: S&P: AAA  
Moody's Aaa**

**(Ambac Insured; see "RATINGS" herein)**

*In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. See "TAX MATTERS" herein.*

**\$<sup>^</sup> 33,997,447.85<sup>^</sup>**

**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY  
Redevelopment Project Area No. 2  
Tax Allocation Bonds, Series 2003A**

**Dated: Date of Delivery**

**Due: July 15, as shown below**

The Redevelopment Agency of the City of Redwood City (the "Agency") is issuing its \$33,997,447.85<sup>^</sup> principal amount of Redevelopment Agency of the City of Redwood City Redevelopment Project Area No. 2 Tax Allocation Bonds, Series 2003A (the "Bonds"). Proceeds of the Bonds will be used to (i) repay certain loans made by the City of Redwood City (the "City") to the Agency, (ii) pay the costs of redevelopment activities within the Agency's Redevelopment Project Area No. 2 (the "Project Area"), (iii) pay the premium for a reserve fund surety bond for the Bonds, (iv) fund capitalized interest on the Bonds, and (v) pay costs of issuance relating to the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The 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.

The principal of (or Accreted Value), premium if any, and semiannual interest on the Bonds will be payable by U.S. Bank National Association, as Trustee (the "Trustee"), San Francisco, California, to DTC for subsequent disbursement to DTC participants, so long as DTC or its nominee remains the registered owner of the Bonds. Interest on the Current Interest Bonds is payable on January 15 and July 15 of each year, commencing July 15, 2004. The Capital Appreciation Bonds accrete interest from their date of delivery, compounded semiannually on January 15 and July 15 of each year, commencing July 15, 2004.

The Current Interest Bonds are subject to optional redemption and mandatory redemption as further described herein. See "THE BONDS - Redemption Provisions." The Capital Appreciation Bonds are not subject to redemption prior to maturity.

The Bonds are payable on a parity with certain other obligations of the Agency as described herein, from Tax Revenues (as defined herein) to be derived from the Project Area and from amounts on deposit in certain funds and accounts established for the Bonds. See "SECURITY FOR THE BONDS." The receipt of Tax Revenues is subject to certain risks and limitations. See "BOND OWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES" herein. The Agency has previously issued \$15,430,000 Redevelopment Project Area No. 2 Tax Allocation Refunding Bonds, Series 1997, currently outstanding in the aggregate principal amount of \$10,000,000 that have a parity claim on Tax Revenues generated in the Project Area.

Payment of the principal of and interest (or Accreted Value) on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "FINANCIAL GUARANTY INSURANCE" and Appendix H - Specimen Financial Guaranty Insurance Policy.

[Insert AMBAC logo]

**THE BONDS ARE NOT A DEBT OF THE CITY OF REDWOOD CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF (OR ACCRETED VALUE), PREMIUM, IF ANY, AND INTEREST ON THE BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND AMOUNTS IN CERTAIN FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AGENCY OR THE CITY, NOR ANY PERSONS EXECUTING THE BONDS, ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.**

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

**MATURITY SCHEDULE**

**(See inside cover)**

*The Bonds are offered when, as and if issued, subject to the approval of their legality by Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel. Jones Hall, A Professional Law Corporation, San Francisco, California, is serving as Disclosure Counsel to the Agency. Certain matters will be passed upon for the Agency by the City Attorney City of Redwood City, California. It is anticipated that the Bonds will be available for delivery in book-entry form on or about October 30, 2003.*

**Stone & Youngberg LLC**

^ October 15, 2003

### ^ Current Interest Bonds

<u>Maturity Date</u> <u>(July 15)</u>	<u>Principal</u>	<u>Interest</u>	<u>Yield</u>	<u>CUSIP*</u> <u>(757887)</u>
<u>2010</u>	<u>\$1,225,000</u>	<u>3.500%</u>	<u>3.050%</u>	<u>AR5</u>
<u>2011</u>	<u>1,265,000</u>	<u>4.000</u>	<u>3.400</u>	<u>AS3</u>
<u>2012</u>	<u>2,480,000</u>	<u>4.000</u>	<u>3.800</u>	<u>AT1</u>
<u>2013</u>	<u>2,895,000</u>	<u>5.250</u>	<u>3.970</u>	<u>AU8</u>
<u>2014</u>	<u>3,045,000</u>	<u>5.250</u>	<u>4.130 c</u>	<u>AV6</u>
<u>2015</u>	<u>2,850,000</u>	<u>5.250</u>	<u>4.200 c</u>	<u>AW4</u>

c-priced to call on July 15, 2013

### Capital Appreciation Bonds

<u>Maturity</u> <u>Date</u> <u>(July 15)</u>	<u>Original</u> <u>Principal</u> <u>Amount</u>	<u>Yield to</u> <u>Maturity</u>	<u>Maturity</u> <u>Value</u>	<u>Price</u>	<u>CUSIP*</u> <u>(757887)</u>
<u>2015</u>	<u>\$ 292,668.60</u>	<u>4.800%</u>	<u>\$ 510,000</u>	<u>57.386%</u>	<u>AX2</u>
<u>2016</u>	<u>1,889,860.95</u>	<u>4.920</u>	<u>3,505,000</u>	<u>53.919</u>	<u>AY0</u>
<u>2017</u>	<u>1,773,915.55</u>	<u>5.030</u>	<u>3,505,000</u>	<u>50.611</u>	<u>AZ7</u>
<u>2018</u>	<u>1,663,893.60</u>	<u>5.130</u>	<u>3,505,000</u>	<u>47.472</u>	<u>BA1</u>
<u>2019</u>	<u>1,557,657.05</u>	<u>5.230</u>	<u>3,505,000</u>	<u>44.441</u>	<u>BB9</u>
<u>2020</u>	<u>1,450,684.45</u>	<u>5.350</u>	<u>3,505,000</u>	<u>41.389</u>	<u>BC7</u>
<u>2021</u>	<u>1,352,544.45</u>	<u>5.450</u>	<u>3,505,000</u>	<u>38.589</u>	<u>BD5</u>
<u>2022</u>	<u>1,256,332.20</u>	<u>5.560</u>	<u>3,505,000</u>	<u>35.844</u>	<u>BE3</u>
<u>2023</u>	<u>1,172,831.40</u>	<u>5.640</u>	<u>3,510,000</u>	<u>33.414</u>	<u>BF0</u>
<u>2024</u>	<u>1,090,125.10</u>	<u>5.720</u>	<u>3,505,000</u>	<u>31.102</u>	<u>BG8</u>
<u>2025</u>	<u>1,025,983.60</u>	<u>5.740</u>	<u>3,505,000</u>	<u>29.272</u>	<u>BH6</u>
<u>2026</u>	<u>967,415.05</u>	<u>5.750</u>	<u>3,505,000</u>	<u>27.601</u>	<u>BJ2</u>
<u>2027</u>	<u>911,965.95</u>	<u>5.760</u>	<u>3,505,000</u>	<u>26.019</u>	<u>BK9</u>
<u>2028</u>	<u>859,566.20</u>	<u>5.770</u>	<u>3,505,000</u>	<u>24.524</u>	<u>BL7</u>
<u>2029</u>	<u>810,005.50</u>	<u>5.780</u>	<u>3,505,000</u>	<u>23.110</u>	<u>BM5</u>
<u>2030</u>	<u>763,178.70</u>	<u>5.790</u>	<u>3,505,000</u>	<u>21.774</u>	<u>BN3</u>
<u>2031</u>	<u>719,901.00</u>	<u>5.800</u>	<u>3,510,000</u>	<u>20.510</u>	<u>BP8</u>
<u>2032</u>	<u>678,918.50</u>	<u>5.800</u>	<u>3,505,000</u>	<u>19.370</u>	<u>BQ6</u>

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**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY  
REDWOOD CITY, CALIFORNIA**

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**AGENCY MEMBERS AND CITY COUNCIL**

Richard S. Claire, Chair and Mayor  
Jeff Ira, Vice Chair and Vice Mayor  
Jim Hartnett, Agency Member and Council Member  
Diane Howard, Agency Member and Council Member  
Colleen Jordan, Agency Member and Council Member  
Barbara Pierce, Agency Member and Council Member  
Ira Ruskin, Agency Member and Council Member

**AGENCY STAFF AND CITY STAFF**

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## GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

***Estimates and Forecasts.*** When used in this Official Statement and in any continuing disclosure by the Agency in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to," "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Agency or any other entity described or referenced herein since the date hereof.

***Limit of Offering.*** No dealer, broker, salesperson or other person has been authorized by the Agency to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

***Involvement of Underwriter.*** The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement 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.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

[placeholder for area map]

## OFFICIAL STATEMENT

\$<sup>^</sup> 33,997,447.85<sup>^</sup>

### REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY Redevelopment Project Area No. 2 Tax Allocation Bonds, Series 2003A

#### INTRODUCTION

##### General

The purpose of this Official Statement of the Redevelopment Agency of the City of Redwood City (the "**Agency**") is to set forth information in connection with the sale of its \$<sup>^</sup> 33,997,447.85 principal amount of Redevelopment Agency of the City of Redwood City Redevelopment Project Area No. 2 Tax Allocation Bonds, Series 2003A (the "**Bonds**"). The Bonds will be issued as current interest bonds (the "**Current Interest Bonds**") in the principal amount of <sup>^</sup> \$13,760,000 and capital appreciation bonds (the "**Capital Appreciation Bonds**") in the stated amount of \$20,237,447.85<sup>^</sup> .

The Bonds are being issued under a Second Supplemental Indenture of Trust dated as of August 1, 2003 (the "**Second Supplement**"), between the Agency and U.S. Bank National Association, as trustee (the "**Trustee**"), and pursuant to the Community Redevelopment Law, constituting Part 1 of Division 24 (commencing with Section 33000) of the Health and Safety Code of the State of California (the "**Redevelopment Law**"). The Second Supplement supplements that certain Indenture of Trust, dated as of June 15, 1997 (the "**1997 Indenture**"), pursuant to which the Agency issued its \$15,430,000 Redevelopment Agency of the City of Redwood City Redevelopment Project Area No. 2 Tax Allocation Refunding Bonds, Series 1997 (the "**1997 Bonds**"), as supplemented by a First Supplemental Indenture of Trust dated as of August 1, 2003 (the "**First Supplement**"), for the purpose of financing and refinancing the acquisition and construction of certain public improvements and/or property located within the Agency's Redevelopment Project Area No. 2 (the "**Project Area**"). The 1997 Indenture, as supplemented and amended by the First Supplement and the Second Supplement, is referred to herein as the "**Indenture**").

The proceeds of the Bonds will be used to (i) repay certain loans made by the City of Redwood City (the "**City**") to the Agency, (ii) pay the costs of certain redevelopment activities within the Project Area, (iii) fund capitalized interest for the Bonds, and (iv) pay costs of issuance relating to the Bonds, which includes the premium for bond insurance and a reserve fund surety bond for the Bonds.

<sup>^</sup>

The Bonds are being issued for sale by the Agency to the City of Redwood City Public Financing Authority (the "**Authority**") under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code. The Bonds purchased by the Authority will be concurrently resold to Stone & Youngberg LLC, as Underwriter.

The Bonds are special obligations of the Agency, secured by a pledge of and first lien on tax increment revenues ("**Tax Revenues**") derived from the Project Area. The Bonds are secured on a parity basis with the claim on Tax Revenues of the 1997 Bonds. The 1997 Bonds are currently outstanding in the aggregate principal amount of \$10,000,000.

### **The Agency and the Project Area**

The City, acting pursuant to the Redevelopment Law, activated the Agency by Ordinance No. 1491 on May 24, 1971. The Agency's primary responsibilities include elimination of the slums and blight, revitalization of older neighborhoods, facilitation of additional housing, encouragement of economic development and creation of new employment opportunities.

Pursuant to the Redevelopment Law and Ordinance No. 1862, adopted on July 19, 1982, the City adopted a plan entitled "Redevelopment Plan for Redevelopment Project No. 2" (the "**Original Redevelopment Plan**") covering certain portions of the City's downtown area (the "**Original Project Area**"). On May 20, 1985, the City Council adopted Ordinance No. 1911 amending the Original Redevelopment Plan (the "**Redevelopment Plan Amendment**") for the purpose of adding certain portions of the City's marina area to the Original Project Area (the "**First Amendment Area**"). On December 18, 1989, the City Council adopted Ordinance No. 2007 further amending the Original Redevelopment Plan (the "**Second Redevelopment Plan Amendment**") for the purpose of adding certain property along Seaport Boulevard to the Original Project Area and the First Amendment Area (the "**Second Amendment Area**"). The Original Redevelopment Plan, the First Redevelopment Plan Amendment and the Second Redevelopment Plan Amendment are herein referred to collectively as the "Redevelopment Plan." The Original Project Area, the First Amendment Area and the Second Amendment Area are herein referred to collectively as the "Project Area." The Project Area is the Agency's sole project area. The three noncontiguous sub-areas within the Project Area comprise approximately 932.24 acres of land.

The total assessed value in the Project Area for the 2003-04 fiscal year is \$1,242,868,190.

### **Tax Allocation Financing**

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

The San Mateo County Auditor-Controller reports that the 2003-04 assessment roll for the Project Area shows an increase in assessed valuations of approximately \$853.5 million over the base year. Net tax increment revenues, after payments of County administration fees,

housing set-aside amounts and certain other amounts, but not including subordinated tax sharing, are estimated to be approximately \$6.07 million for fiscal year 2003-2004. See "APPENDIX F - FISCAL CONSULTANT'S REPORT - Table 5."

Should there occur any future decrease in the taxable valuation in the Project Area or in the applicable tax rates, the Tax Revenues (as more particularly described under the caption "SECURITY FOR THE BONDS -- Tax Revenues") allocated to the Agency from the Project Area would be reduced and, correspondingly, could have an adverse impact on the ability of the Agency to repay the Bonds. See "RISK FACTORS" herein.

### **Municipal Bond Insurance**

Payment of the principal of and interest (or Accreted Value) on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the delivery of the Bonds. See "FINANCIAL GUARANTY INSURANCE" and "Appendix H – Specimen Financial Guaranty Insurance Policy". Ambac Assurance will also provide a reserve fund surety bond, as described herein.

### **Summaries of Documents**

There follows in this Official Statement brief descriptions of the Bonds, the security for the Bonds, the Agency, the Project Area and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture are qualified in their entirety by reference to the definitive form thereof and all references to the Bonds are further qualified by references to the information with respect thereto contained in the Indenture. All capitalized terms used herein and not normally capitalized have the meanings assigned to them in the Indenture, unless otherwise stated in this Official Statement. Definitions of certain terms used herein are set forth in "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions." Copies of the Indenture are available for inspection during business hours at the corporate trust office of the Trustee in San Francisco, California.

This Official Statement speaks only of its date, as set forth on the cover hereof, and the information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or the City since the date hereof.

## THE FINANCING PLAN

### The Projects

A portion of the proceeds of the Bonds will be deposited into a Redevelopment Fund which is held by the Agency, and will be expended by the Agency to finance programs, projects and activities relating to the Project Area. Such programs, projects and activities may include any or all of the following projects of the Agency:

1. Jefferson Garage and Block 2 Surface Parking. This project includes a 596-space 2-level public parking garage to be constructed under the Retail/Cinema project at the intersection of Broadway and Jefferson, as well as the expansion of the surface lot on Block 2 (corner of Jefferson and Middlefield) from some 200 spaces to 300 spaces. These public facilities will provide parking for customers of downtown businesses.

2. Land Assembly for Parking. This will complete the funding necessary for the acquisition of the garage site and the expansion of the surface lot on Block 2.

3. Historic Courthouse Restoration and Plaza. This includes removal of the Annex on the Broadway frontage, restoration of the historic façade of the Courthouse, and the creation of a public plaza that will serve as the "Town Square" of Redwood City.

4. Downtown Streetscape Improvements. This includes "Theater Way" between the Fox Theater and the new Retail/Cinema project and necessary modifications to Broadway, planned to create an inviting pedestrian sidewalk and dining experience for downtown visitors.

5. Culvert Relocation. This is the relocation of the underground storm drain culvert to enable the construction of the Jefferson Street Garage.

6. Miscellaneous Downtown Projects. These may include a series of projects to improve the "legibility" of downtown, as well as the pedestrian experience. Included are gateways, directional signage, and enhancement of Middlefield (Theater Way) between Broadway and Veteran's Blvd.

7. Economic Development. This component may fund Agency obligations for the reimbursement of off-sites for the Franklin Street Apartments, possible financial incentives for private development projects, the downtown precise plan to guide private development downtown, and mostly, a contingency for unforeseen opportunities and expenses.

The actual timing and scope of the foregoing projects are unknown and cannot be guaranteed. It is possible that one or more of the above may not occur. The Agency may, consistent with the Redevelopment Law and its covenants set forth in the Indenture, substitute other projects for those which are described above.

In January 2003 the City advanced \$20 million to the Agency to begin work on certain of the above projects. A portion of the proceeds from the sale of the Bonds may be used to repay a portion of the amount advanced to the Agency, with interest on amounts advanced.

## Estimated Sources and Uses of Funds

The anticipated sources and uses of funds from the sale of the Bonds are estimated to be applied as follows.

The anticipated sources and uses of funds relating to the 2003 Bonds are as follows:

**TABLE 1**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**

**SOURCES:**

Principal Amount of 2003 Bonds	<u>\$33,997,447.85</u>
Plus: Net Original Issue Premium	<u>923,140.00</u>
<i>Total Sources:</i>	<u>\$34,920,587.85</u>

**USES:**

Deposit to Redevelopment Fund	^ <u>\$32,642,948.78</u>
Deposit to Costs of Issuance Fund <sup>(1)</sup>	^ <u>1,427,639.07</u>
<u>Deposit to Interest Account<sup>(2)</sup></u>	<u>850,000.00</u>
<i>Total Uses:</i>	<u>\$34,920,587.85</u>

<sup>(1)</sup> Includes ^ bond insurance premium, surety bond premium, Underwriter's Discount, Trustee fees, Fiscal Consultant fees, Financial Advisor ^ fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

<sup>(2)</sup> Represents capitalized interest on the Bonds.

## Debt Service Schedule

The following table presents debt service for the Bonds, as well as for the 1997 Bonds, which are payable from Tax Revenues on a parity with the Bonds. A portion of the 1997 Bonds were used for housing purposes and 20% of the debt service on the 1997 Bonds is payable from moneys in the Agency's Housing Set-Aside moneys. See "SECURITY FOR THE BONDS – Low and Moderate Housing Set-Aside."

**TABLE 2**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Debt Service Schedule**

^	^	^	^	^	^ Series 2003A	^	^
Bond Year Ending July 15	1997 Bonds Debt Service <sup>(1)</sup>	2003A Current Interest Bonds Principal	2003A ^ <u>Current</u> <u>Interest</u> Bonds Interest	2003A <u>Capital</u> <u>Appreciation</u> Bonds ^ <u>Denominational</u> <u>Amount</u>	<u>Capital</u> <u>Appreciation</u> Bonds <u>Compounded</u> <u>Interest</u>	Series 2003A Bonds Total Debt Service	1997 Bonds and 2003A Bonds Aggregate Debt Service
2004	\$1,548,977.50		<u>\$463,356.25</u>			<u>\$ 463,356.25</u>	<u>\$2,012,333.75</u>
2005	1,545,746.75		<u>654,150.00</u>			<u>654,150.00</u>	<u>2,199,896.75</u>
2006	1,540,365.00		<u>654,150.00</u>			<u>654,150.00</u>	<u>2,194,515.00</u>
2007	1,544,265.00		<u>654,150.00</u>			<u>654,150.00</u>	<u>2,198,415.00</u>
2008	1,545,580.00		<u>654,150.00</u>			<u>654,150.00</u>	<u>2,199,730.00</u>
2009	1,543,350.00		<u>654,150.00</u>			<u>654,150.00</u>	<u>2,197,500.00</u>
2010	1,541,850.00	<u>\$1,225,000</u>	<u>654,150.00</u>			<u>1,879,150.00</u>	<u>3,421,100.00</u>
2011	1,545,705.00	<u>1,265,000</u>	<u>611,275.00</u>			<u>1,876,275.00</u>	<u>3,421,980.00</u>
2012		<u>2,480,000</u>	<u>560,675.00</u>			<u>3,040,675.00</u>	<u>3,040,675.00</u>
2013		<u>2,895,000</u>	<u>461,475.00</u>			<u>3,356,475.00</u>	<u>3,356,475.00</u>
2014		<u>3,045,000</u>	<u>309,487.50</u>			<u>3,354,487.50</u>	<u>3,354,487.50</u>
2015		<u>2,850,000</u>	<u>149,625.00</u>	<u>\$ 292,668.60</u>	<u>\$ 217,331.40</u>	<u>3,509,625.00</u>	<u>3,509,625.00</u>
2016				<u>1,889,860.95</u>	<u>1,615,139.05</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2017				<u>1,773,915.55</u>	<u>1,731,084.45</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2018				<u>1,663,893.60</u>	<u>1,841,106.40</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2019				<u>1,557,657.05</u>	<u>1,947,342.95</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2020				<u>1,450,684.45</u>	<u>2,054,315.55</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2021				<u>1,352,544.45</u>	<u>2,152,455.55</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2022				<u>1,256,332.20</u>	<u>2,248,667.80</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2023				<u>1,172,831.40</u>	<u>2,337,168.60</u>	<u>3,510,000.00</u>	<u>3,510,000.00</u>
2024				<u>1,090,125.10</u>	<u>2,414,874.90</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2025				<u>1,025,983.60</u>	<u>2,479,016.40</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2026				<u>967,415.05</u>	<u>2,537,584.95</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2027				<u>911,965.95</u>	<u>2,593,034.05</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2028				<u>859,566.20</u>	<u>2,645,433.80</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2029				<u>810,005.50</u>	<u>2,694,994.50</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2030				<u>763,178.70</u>	<u>2,741,821.30</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>
2031				<u>719,901.00</u>	<u>2,790,099.00</u>	<u>3,510,000.00</u>	<u>3,510,000.00</u>
2032				<u>678,918.50</u>	<u>2,826,081.50</u>	<u>3,505,000.00</u>	<u>3,505,000.00</u>

(1) 20% of debt service on the 1997 Bonds is payable from Housing Set-Aside amounts.

## THE BONDS

### Authority for Issuance

The Bonds are being issued under the Indenture and the provisions of the Redevelopment Law. On September 8, 2003, the Agency adopted a resolution authorizing the execution and delivery of the Indenture and the issuance and sale of the Bonds.

### Description

The Bonds will be issued as current interest bonds (the "**Current Interest Bonds**") and capital appreciation bonds (the "**Capital Appreciation Bonds**"). The Bonds will be dated their date of delivery (the "**Closing Date**"). The Bonds will be issued in fully registered form in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("**DTC**"), as registered owner of all the Bonds. Principal (or Accreted Value, in the case of the Capital Appreciation Bonds) and interest are payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds, as described below. See "Book-Entry System" below. The Bonds will be issued in the denomination of \$5,000 each or any integral multiple thereof.

**Current Interest Bonds.** The Current Interest Bonds will be issued in the original principal amount of <sup>^</sup> [\\$13,760,000](#) and will bear interest at the rates per annum set forth on the cover page hereof payable semiannually on January 15 and July 15, commencing July 15, 2004 (the "**Interest Payment Dates**"), and will mature on July 15 in the years set forth on the cover page hereof.

The Current Interest Bonds will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) from the Interest Payment Date next preceding the date of authentication thereof, unless (a) they are authenticated after January 1 or July 1 (each a "**Record Date**") and on or before the following Interest Payment Date, in which event they will bear interest from such Interest Payment Date, or (b) they are authenticated on or before the first Record Date, in which event they will bear interest from their dated date; provided, however, that if, as of the date of authentication of any Current Interest Bond, interest thereon is in default, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

**Capital Appreciation Bonds.** The Capital Appreciation Bonds will be issued in the original principal amount of [\\$20,237,447.85](#)<sup>^</sup>, will be dated as of the Closing Date and will be issued in fully registered form, without coupons, in denominations of \$5,000 maturity amount or any integral multiple thereof. The Capital Appreciation Bonds will mature and be payable on July 15 in each of the years and in the maturity amounts set forth on the inside front cover, representing such original principal amount together with interest thereon which shall accrete and be compounded on each Interest Payment Date so as to produce a yield to maturity as set forth on the inside front cover. See "APPENDIX I - ACCRETED VALUE TABLE."

Notwithstanding the foregoing, while the Bonds are held in the book-entry system of DTC, all such payments of principal, interest and premium, if any, will be made to Cede & Co. as the registered owner of the Bonds, for subsequent disbursement to Participant and beneficial owners. See "APPENDIX G - BOOK-ENTRY SYSTEM."

## Redemption Provisions

**Optional Redemption of Capital Appreciation Bonds.** The Capital Appreciation Bonds are not subject to optional or mandatory redemption prior to maturity.

**Optional Redemption of Current Interest Bonds.** The Current Interest Bonds maturing before July 15, 20<sup>^</sup> 13 are not subject to call and redemption prior to maturity. The Current Interest Bonds maturing on or after July 15, 20<sup>^</sup> 14 shall be subject to call and redemption prior to maturity, at the option of the Agency, as a whole or in part on any date, among maturities as shall be determined by the Agency, and by lot within each maturity (each Current Interest Bond being deemed to be composed of \$5,000 portions with each such portion being separately redeemable), from funds derived by the Agency from any source, on or after July 15, 20<sup>^</sup> 13, at the redemption price for each redeemed Current Interest Bond of the par amount thereof, without premium, together ^ with accrued interest to the date of redemption. ^

**Notice of Redemption; Rescission.** Notice of redemption shall be given by the Trustee, for and on behalf of, and at the expense of, the Agency, not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail to the Insurer and each of the Owners designated for redemption at their addresses appearing on the Bond registration books of the Trustee on the date such Bonds are selected for redemption. Each notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the place or places of redemption; (d) state the CUSIP numbers of the Bonds to be redeemed, the individual number of each Bond to be redeemed or that all Bonds between two stated numbers (both inclusive) or that all of the Bonds are to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed; (e) state that on the redemption date there will become due and payable on each Bond the redemption price thereof and that from and after such redemption date interest thereon shall cease to accrue; and (f) require that such Bonds be then surrendered, with a written instrument of transfer duly executed by the Owner thereof or by his attorney duly authorized in writing if payment is to be made to a Person other than the Owner.

Additionally, on the date on which the notice of redemption is mailed to the Owners of the Bonds pursuant to the provisions above, such notice of redemption shall be given by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the Agency to the Trustee and to any additional Information Services.

The actual receipt of notice of such redemption by the Owner of any Bond shall not be a condition precedent to redemption, and failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the redemption date. A certificate by the Trustee that notice of call and redemption has been given to Owners of the Bonds as herein provided shall be conclusive as against all parties, and no Bondowner whose Bond, or portion thereof, is called for redemption may object to the cessation of interest on the redemption date fixed by any claim or showing that he failed to receive actual notice of call and redemption.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Second Supplement. The Agency and the Trustee shall have no liability to the Owners or any other

party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

**Partial Redemption.** Upon surrender of any Bond redeemed in part only, the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Bond or Bonds of authorized denominations, and of the same maturity and series and equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

**Effect of Redemption.** When notice of redemption has been given substantially as provided above and when the amount necessary for the redemption of the Bonds called for redemption (principal and premium, if any) is set aside for that purpose under the Indenture, and when interest accrued and to accrue to the redemption date has been set aside for that purpose, the Bonds designated for redemption shall become due and payable on the redemption date thereof at the place specified in the notice of redemption. Such Bonds shall be redeemed and paid at said redemption price out of the moneys so set aside, and no interest will accrue on such Bonds called for redemption from and after the redemption date specified in such notice.

All Bonds redeemed shall forthwith be canceled by the Trustee and shall not be reissued. All unpaid interest with respect to the Bonds payable at or prior to the redemption date shall continue to be payable to the respective Owners thereof, or their order, but without interest thereon.

**Open Market Purchase of Bonds.** The Agency may at any time buy Bonds at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Bonds so purchased, plus any applicable premium and any Bonds so purchased shall be tendered to the Trustee for cancellation. Term Bonds so purchased may be credited against sinking fund payments.

**SECURITY FOR THE BONDS**

**Allocation of Taxes**

As provided in the Redevelopment Plan, and in Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California, any city, county, city and county, district, or other public corporation for fiscal years beginning after the effective date of the ordinance approving the Redevelopment Plan shall be divided as follows:

1. 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 said 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 approving the Redevelopment Plan shall be allocated to, and when collected shall be paid into the funds of the respective taxing agencies as taxes by or for said taxing agencies on all other property are paid; and
2. Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the applicable taxing agency, that portion of levied taxes each year in excess of such

amount will be allocated to, and when collected, will be paid to the Agency to pay the principal of and interest on loans to, money advanced to, or indebtedness incurred by the Agency to finance redevelopment projects.

### **Pledge of Tax Revenues for Bonds**

The Bonds are secured, on a parity with the 1997 Bonds, by a first pledge of and lien on all of the Tax Revenues. The Indenture defines Tax Revenues to mean except as provided below, moneys allocated within the Plan Limit and paid to the Agency derived from (a) that portion of taxes levied upon assessable property within the Project Area allocated to the Agency pursuant to Article 6 of Chapter 6 of the Law and Section 16 of Article XVI of the Constitution of the State of California, or pursuant to other applicable State laws, and (b) reimbursements, subventions (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Sections 16110 et seq., of the Government Code of the State of California), or other payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes, including revenues derived from unitary property, and including that portion of such taxes required by Section 33334.3 of the Law and the Legal Aid Agreement (described herein under the caption "**Low and Moderate Housing Set Aside**") to be deposited in the Low and Moderate Income Housing Fund but only to the extent necessary to repay that portion of the Bonds and any Parity Bonds (including applicable reserves and financing costs) attributable to the increase, improvement or preservation of the supply of low and moderate income housing within or of benefit to the Project Area within the meaning of Section 33334.3 of the Law, after the deduction therefrom of (i) statutory administrative fees payable to the County and (ii) certain amounts required to be paid by the Agency pursuant to the Pass-Through Agreements.

### **Tax Sharing Agreements**

Pursuant to former Section 33401 of the Redevelopment Law, the Agency has entered into tax sharing agreements ("**Pass-Through Agreements**") with, or has waived a specified share of tax increment for, the following taxing entities in the Project Area. Payments under the tax sharing agreements described below are senior or subordinate to debt service on the Bonds, as indicated below. A brief discussion of each agreement is provided below.

#### *Senior Tax Sharing Payments:*

San Mateo County: The Agency has executed an Agreement with San Mateo County whereby the Agency has waived its right to be allocated and paid that portion of tax increment generated in the Original and First Amendment Areas which are representative of the County's share of tax increment. The County's share equals 24.4 percent of the tax increment generated in the Original and First Amendment Areas. In the 2003-04 fiscal year, this amount is estimated to be approximately \$1.01 million.

San Mateo County Mosquito Abatement District: The Agency has agreed to provide, at the Agency's discretion, financial assistance to the San Mateo County Mosquito Abatement District to alleviate any fiscal burden caused by redevelopment of the Original and First Amendment portions of the Project Area. The Agency is currently making payments to the District equal to the District's share of tax increment in the Original and First Amendment Areas. The District's share equals approximately 2 percent of the tax increment generated in the Original and First Amendment Areas. In the 2003-04 fiscal year, this amount is estimated to be approximately \$14,217.

#### *Subordinate Tax Sharing Payments:*

San Mateo County: The Agency and the County have agreed that with regard to the Second Amendment Area, the Agency will waive the County's share of tax increment after the Agency has received a cumulative \$25 million of the County's share of Second Amendment Area tax increment. In the tax rate areas comprising the Second Amendment Area, the County's share is approximately 22.68 percent. As the County and an agreement with the Legal Aid Society of San Mateo (described herein under the caption "**Low and Moderate Housing Set Aside**") are implemented, the Agency will deposit the first \$11.9 million of the County share of tax increment into the Low and Moderate Income Housing Fund; that amount of the County's share of tax increment between \$11.9 million and \$25 million will be allocated and paid to the Agency; and that amount in excess of \$25 million will be waived by the Agency to the County, provided however, that the amount waived to the County is subordinated to the Agency's long term indebtedness. Based on the Fiscal Consultant's projections, payments under the County agreement will be triggered in fiscal year 2018-19.

Other Taxing Entities: In accordance with Section 33401 of the Health and Safety Code, the Agency has entered into tax sharing agreements with the following taxing entities in the Second Amendment Area:

- San Mateo County Office of Education
- Redwood City School District
- San Mateo County Mosquito Abatement District
- San Mateo County Harbor District
- Mid-Peninsula Regional Open Space District
- Sequoia Union High School District
- San Mateo County Community College District

The above referenced agreements each call for the respective taxing entity to receive 50 percent of the tax increment amount they would otherwise receive if tax increment financing did not exist in the Second Amendment Area, less the amount of required housing set-aside funds. The combined share for these tax entities equals approximately 50 percent of the tax increment generated in the Second Amendment Area.

In addition to the Pass-Through Agreements, the Agency has an obligation under a development agreement which is payable on a senior basis to debt service on the Bonds. The development agreement provides for payments of \$300,000 annually, with the obligation scheduled to be fully repaid in fiscal year 2008-09. See "REDEVELOPMENT PROJECT AREA NO. 2 - Outstanding Indebtedness of the Project Area."

In addition, pursuant to Senate Bill 211 ("**SB 211**"), the Agency may become subject to certain statutory pass-through requirements. See the discussion of SB 211 under the caption "Redevelopment Plan Limitations."

In the Indenture, the Agency covenants that it shall not amend the Redevelopment Plan or enter into any agreement (including pass-through agreements) with the County or any other governmental unit which would have the effect of reducing the amount of Tax Revenues available to the Agency for payment of the Bonds, unless in the written opinion of an Independent Financial Consultant filed with the Trustee, Tax Revenues after execution of such amendment or agreement will remain at least one hundred thirty-five percent (135%) of Maximum Annual Debt Service. For purposes of such conclusion, Tax Revenues shall be calculated using a tax rate of one percent (1%) in the same manner as required for the issuance of Parity Bonds.

## **Low and Moderate Housing Set-Aside**

Sections 33334.2 and 33334.3 of the Redevelopment Law require redevelopment agencies to set aside 20% of all tax increment derived from redevelopment project areas established after December 31, 1976 in a low and moderate income housing fund. Chapter 1135, Statutes of 1985, amended Section 33334.3 and added Sections 33334.6 and 33334.7 to the Redevelopment Law, extending the requirement for redevelopment agencies to set aside into a low and moderate income housing fund 20% of tax increment revenues allocated to redevelopment project areas established prior to January 1, 1977, beginning with fiscal year 1985-86 revenues.

The Agency calculates its housing set-aside obligation based on 20% of total tax increment less waived tax increment plus deposits required pursuant to an agreement (the "**Legal Aid Agreement**") with the Legal Aid Society of San Mateo County entered into subsequent to the adoption of the Second Amendment Area regarding the County's share of tax increment in the Second Amendment Area. Pursuant to the Legal Aid Agreement, the Agency is required to deposit the first \$11.9 million of the County's share of tax increment generated from the Second Amendment Area into the Agency's Low and Moderate Income Housing Fund. The Fiscal Consultant estimates that the Agency will reach the \$11.9 million figure in fiscal year 2008-09. See "Tax Sharing Agreements" above.

The housing set-aside has also been reduced by 20% of the debt service on the Agency's 1997 Bonds, since a portion of the proceeds were restricted to allowable housing uses. For more information on the Agency's housing set-aside, see "APPENDIX F - FISCAL CONSULTANT'S REPORT."

## **No Power to Tax**

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate, could reduce the amount of Tax Revenues that would otherwise be available to pay the principal of, and interest on, the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BOND OWNERS' RISKS."

The Bonds are not a debt of the City, the State of California or any of its political subdivisions other than the Agency, and neither the City, State, nor any of its political subdivisions other than the Agency is liable. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction on the amount of debt. Accordingly, no City resources are pledged toward the repayment of the Bonds.

## **Parity Debt**

In addition to the 1997 Bonds and the Bonds, the Agency may issue or incur other obligations on a parity with the Bonds. In such event, the Agency must comply with the requirements of the Indenture relating to Parity Debt, including the requirement that the Tax Revenues estimated to be received for the then current fiscal year based on the most recent assessed valuation of property in the Project Area be at least equal to 135% of Maximum Annual Debt Service, including annual debt service on the proposed Parity Debt. For all the requirements that must be met for the issuance of Parity Debt, see "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Issuance of Parity Debt."

## Reserve Account

The 1997 Bonds and the Bonds are additionally secured by the Reserve Account for the 1997 Bonds and the Series 2003A Reserve Account established pursuant to the Indenture. Such Reserve Accounts are to be maintained in an amount equal to the Reserve Requirement for each series of bonds.

The "Reserve Requirement" is defined in the Indenture to be, as of any calculation date, an amount equal to Maximum Annual Debt Service; provided that with respect to any particular series of the Bonds or any Parity Bonds, the amount on deposit in the Reserve Account shall not exceed the lesser of (i) the amount necessary to be deposited in the Reserve Account to make the amount on deposit therein equal to Maximum Annual Debt Service, (ii) ten percent (10%) of the proceeds derived from the sale of the Bonds or such Parity Bonds, and (iii) 1.25 times average Annual Debt Service due with respect to the Bonds or such Parity Bonds.

All money in the Reserve Account shall be used and withdrawn by the Agency solely for the purpose of making transfers to the Interest Account and the Principal Account, in such order in the event of any deficiency, or for the retirement of all of the Bonds, except that so long as the Agency is not in default under the Indenture, the amount in excess of the Reserve Requirement will be transferred to the Interest Account or the Redevelopment Fund. On each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Reserve Account an amount of money which shall be required to maintain the Reserve Requirement in such Reserve Account.

The Agency may satisfy its obligation to maintain the Reserve Account in an amount equal to the Reserve Requirement in whole or in part by obtaining a letter of credit or surety bond meeting certain requirements. Upon issuance of the Bonds, Ambac Assurance will provide a Reserve Account Surety in the form of a surety bond (the "Surety Bond") to be credited to the Reserve Account for the purpose of funding the Series 2003A Reserve Account. The Bonds will only be delivered upon the issuance of such Surety Bond. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE –The Reserve Account" and "MUNICIPAL BOND INSURANCE - Ambac Assurance Surety Bond Credited to Reserve Account. "

## MUNICIPAL BOND INSURANCE POLICY

*The following information has been furnished by Ambac Assurance Corporation for use in this Official Statement. Such information has not been independently confirmed or verified by the Agency. No representation is made herein by the Agency as to the accuracy or adequacy of such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. Reference is made to Appendix G for a specimen of Ambac Assurance's Financial Guaranty Insurance Policy.*

### Payment Under Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest (or Accreted Value) on the Bonds which become Due for Payment but are unpaid by reason of Nonpayment by the

Agency (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest (or Accreted Value) becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Paying Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal (or Accreted Value), and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest (or Accreted Value) on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Paying Agent has notice that any payment of principal of or interest (or Accreted Value) on a Bond which has become Due for Payment and which is made to a bondholder by or on behalf of the Agency has been deemed a preferential transfer and therefore recovered from its registered owner under the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

- (1) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
- (2) payment of any redemption, prepayment or acceleration premium.
- (3) nonpayment of principal or interest (or Accreted Value) caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest under the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest (or Accreted Value) on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

If Ambac Assurance were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established under the laws of the State of California.

#### **Ambac Assurance Surety Bond Credited to Reserve Account**

The Indenture requires the establishment of a Reserve Account in an amount equal to \$\_\_\_\_\_ (the “**Reserve Requirement**”). The Indenture authorizes the Agency to obtain a “**Reserve Account Surety**“, which is one or more letters of credit, or other form of guarantee, or surety bonds or bond insurance policies issued by companies the long-term obligations of which are then rated not less than “Aaa” by Moody's and “AAA” by S&P, and if rated by A.M. Best & Company, are also rated in the highest rating category by A.M. Best & Company, in lieu of fully funding all or part of the Reserve Account in cash to the amount of the Reserve Requirement. Upon issuance of the Bonds, Ambac Assurance will provide a Reserve Account Surety in the form of a surety bond (the “**Surety Bond**”) to be credited to the Reserve Account for the purpose of funding the Series 2003A Reserve Account. The Bonds will only be delivered upon the issuance of such Surety Bond. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Agency is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Agency is subordinate to the Agency's obligations with respect to the Bonds.

Any draw on the Surety Bond shall be made only after all cash or cash equivalents in the Account have been expended. In the event that the amount on deposit in, or credited to, the Series 2003A Reserve Account, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the “**Additional Funding Instrument**”), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Reserve Account shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on the Additional Funding Instrument shall be paid from first available Housing Tax Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Surety Bond and the Additional Funding Instrument shall be deposited from next available Housing Tax Revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

In the event that Ambac Assurance were to become insolvent, any claims arising under the Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established under the laws of the State of California.

## **Ambac Assurance Corporation**

Ambac Assurance Corporation (“**Ambac Assurance**”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$6,789,000,000 (unaudited) and statutory capital of \$4,043,000,000 (unaudited) as of June 30, 2003. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy will be treated for federal income tax purposes in the same manner as if such payments were made by the Agency of the Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the Lessee.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “FINANCIAL GUARANTY INSURANCE POLICY”.

### **Available Information**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “**Company**”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “**SEC**”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “**NYSE**”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

### **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company’s Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;

- 2) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
- 3) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
- 4) The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
- 5) The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003; and
- 6) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
- 7) The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
- 8) The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;
- 9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;
- 10) The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003; and
- 11) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003.

All documents subsequently filed by the Company under the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

## **BOND OWNERS' RISKS**

*The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the risks of investing in the Bonds.*

### **Reduction in Taxable Value**

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area allocable to 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 caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, or the discovery of hazardous substances on a property within the Project Area (see "**Hazardous Substances**," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "**Seismic Considerations**" below) or other natural disaster,

could cause a reduction in the Tax Revenues securing the Bonds. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Resolved appeals are estimated by the Fiscal Consultant to potentially reduce value in fiscal year 2003-04 by \$24.5 million. See "APPENDIX F - FISCAL CONSULTANT REPORT - Section D - Assessment Appeals" and "TAX REVENUES AND DEBT SERVICE COVERAGE - Assessment Appeals."

### **Litigation Regarding 2% Limitation**

On November 2, 2001, the Orange County, California Superior Court issued a Minute Order in the case of County of Orange v. County of Orange County Assessment Appeals Board No. 3. The case involved the assessed value of a property that exceeded the prior year's assessed value by more than 2%. The increase of a property's assessed value by more than 2% is a common practice among California assessors when the prior year value of the property is less than the base year value of the property (the value assigned upon change of ownership or new construction) and the current year, market value of property is equal to or higher than the computed base year value for the current year. Such instances occur when the prior year value of the property was determined by a Proposition 8 appeal and the condition causing reduction (e.g., recession in the real estate market) has ceased to influence the value of property.

The court ruled that the California Constitution and the California Revenue and Taxation Code limit the year to year change in value of property to 2% except in situations described in law but not limited to the instances mentioned above. The court also found that the California Constitution does not authorize a temporary decline in the base value of property that can be restored at a rate higher than 2%. In December 2002, the Orange County Superior Court defined as a litigation class all of the people in Orange County subject to recapture. The Court entered a Final Judgment on April 18, 2003. In 2002 two other Superior Courts (Los Angeles and San Diego) ruled differently on the "recapture" issue. Therefore, the issues of uniformity and equal protection for each taxpayer statewide must be addressed. When lower courts differ, the subject matter is often subject to a uniformity review. On June 12, 2003, the Orange County Assessor and the Tax Collector, in conjunction with the County of Orange, filed a notice of appeal of the action in the Court of Appeal of the State of California. This appeal process can take 1-2 years to complete.

The Agency is unable to predict the effect on Tax Revenues if the ruling described above is ultimately determined to have applicability to property within the Project Area.

### **Reduction in Inflationary Rate and Changes in Legislation**

As described in greater detail below (see "LIMITATIONS ON TAX REVENUES"), Article XIII A of the California Constitution 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 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. For fiscal year 2003-04, the County Assessor applied the maximum inflationary factor as determined under Article XIII A of 2%.

Article XIII A of the California Constitution, which significantly affected the rate of property taxation, was adopted under California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the calculation of tax increment revenues, reduce the property tax rate, or broaden property tax exemptions. See "LIMITATIONS ON TAX REVENUES - Property Tax Rate Limitations - Article XIII A."

## **Levy and Collection**

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues and, accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the Bonds. The County currently allocates 100% of the Tax Revenues levied on the secured and unsecured property tax roll to the Agency, regardless of the actual amount of payments made by taxpayers under an arrangement similar to the "Teeter Plan" (described below).

## **State Budget Deficit-ERAF**

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. Faced with a projected \$23.6 billion budget gap for fiscal year 2002-03, the State Legislature adopted and sent to the Governor of the State as urgency legislation, AB 1768 requiring redevelopment agencies to pay into ERAF in fiscal year 2002-03 an aggregate amount of \$75 million. The Agency paid into ERAF in fiscal year 2002-03 the amount of \$197,371 as its share of such \$75 million. See "STATUTORY LIMITATIONS ON TAX REVENUES."

The State of California is currently experiencing severe financial and budgetary stress, the result of which is an approximate \$38.2 billion State General Fund deficit for fiscal year 2003-04 at the time the State budget was being prepared. To help close the deficit, the Governor proposed that the school district share of property tax revenue resulting from growth in assessed value in redevelopment project areas, which is currently retained by redevelopment agencies, be shifted to schools beginning at the level of \$250 million of tax increment in fiscal year 2003-04, and increasing to the full amount of diverted property taxes over time (the "School District Shift"). Within the Project Area approximately 55% of the Agency's tax increment is derived from portions of the roll attributable to school district taxes levied within the Project Area.

On August 2, 2003, Governor Davis signed the 2003-04 Budget into law. Both the State Senate and the State Assembly passed separate bills requiring redevelopment agencies to make ERAF payments, with the Senate bill requiring redevelopment agencies to shift \$250 million of redevelopment agency funds to the ERAF in 2003-04, and the Assembly bill requiring an ERAF shift in 2003-04 equal to \$135 million of tax increment. Both bills are silent with respect to ERAF shifts in future years. The State Senate and the State Assembly reached agreement on the amount of the ERAF payment at the \$135 million level and the governor signed the ERAF legislation with that amount for 2003-04 into law. The legislation is silent with respect to ERAF shifts in future years. The Agency share of the ERAF payment for 2003-04 is estimated to be \$440,000, and the Agency expects to make such payment from tax increment revenues.

A budget deficit is expected to arise in one or more future years and the potential impact of future legislation could be material to the Agency and its ability to conduct its redevelopment activities. The Agency cannot predict whether the State Legislature will enact

legislation requiring shifts of tax increment revenues to the State and/or to schools, whether through an arrangement similar to ERAF or by any other arrangement, in future years and if so, whether the shift will apply only to tax increment revenues which are not required to be deposited in a redevelopment agency's low and moderate income housing fund or will apply also to amounts required to be deposited in a redevelopment agency's low and moderate income housing fund, or whether any future shifts in revenue would be limited or affected (such as by an offset of amounts required to be shifted) by pre-existing agreements between redevelopment agencies and school districts, community college districts and county superintendents of schools. Accordingly, the Agency is not able to predict the effect, if any, such a shift, if enacted, would have on future Tax Revenues.

### **Seismic Considerations**

The City and the Project Area, like many other California communities, may be subject to unpredictable seismic activity. There is no evidence that a ground surface rupture will occur in the event of an earthquake, but there is significant potential for destructive ground-shaking during the occurrence of a major seismic event. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to property and infrastructure in the City and the Project Area. As a result, a substantial portion of the property owners may be unable or unwilling to pay their property taxes when due. In addition, the value of land in the City and the Project Area could be diminished in the aftermath of such an earthquake, reducing the resulting proceeds of foreclosure sales in the event of delinquencies in the payment of property taxes.

### **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 a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. 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.

### **Bankruptcy**

The rights of the Owners of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Bonds will be qualified as to bankruptcy and such other legal events. See "APPENDIX C - FORM OF OPINION OF BOND COUNSEL."

## **LIMITATIONS ON TAX REVENUES**

### **Property Tax Limitations - Article XIII A**

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment,

which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property 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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. Roll adjustments may be made by the County which would affect the Project Area assessed value, under Section 51 of the Revenue and Taxation Code.

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for 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. Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Under Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60. As a result, there may be a minor reduction of property tax revenues because there is substantial residential use within the Project Area.

### **Challenges to Article XIII A**

There have been many challenges to Article XIII A of the California Constitution. Probably the most significant judicial decision with respect to Article XIII A is the United States Supreme Court holding in *Nordlinger v. Hahn*, a challenge relating to residential property. Based upon the facts presented in *Nordlinger*, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

### **Property Taxes**

In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien

against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues periodically throughout the fiscal year, with the majority of Tax Revenues derived from secured property paid to the Agency in mid-December and mid-April, and the majority of Tax Revenues derived from unsecured property paid to the Agency by late September. A final reconciliation is made after the close of the fiscal year. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated in late July.

Property tax laws provide for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase.

### **Tax Collection Fees**

Legislation enacted by the State Legislature authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. The County administration fee for fiscal year 2003-04 is estimated to be \$89,694. The calculations of Tax Revenues take such administrative costs into account.

### **Unitary Taxation of Utility Property**

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of property tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited. For additional information see "APPENDIX F - FISCAL CONSULTANT'S REPORT - Taxable Values and Historical Revenues."

### **Future Initiatives**

Article XIII A, Article XIII B and Proposition 62 were each adopted as measures that qualified for the ballot under California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

## **Other Legislation Affecting Redevelopment Agencies**

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 is a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general, a redevelopment plan may terminate not more than 40 years following the date of original adoption, and loans, advances and indebtedness may be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. In 2001, the California Legislature enacted Senate Bill 211 ("**SB 211**") authorizing, among other things, the deletion from redevelopment plans of the limitation on incurring loans, advances and indebtedness. The Agency is of the opinion that the provisions of neither AB 1290 nor SB 211 will adversely impact the proceedings for the issuance or repayment of the Bonds. See "REDEVELOPMENT PROJECT AREA NO. 2 - Redevelopment Plan Limitations."

## REDEVELOPMENT PROJECT AREA NO. 2

### Redevelopment Plan

Under the Redevelopment Law the city council of the city that activates its redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project to be undertaken by the redevelopment agency. A redevelopment agency may only undertake those activities within a redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law, rather than a "plan" in the customary sense of the word.

The Redevelopment Plan for the Project Area was originally adopted by the City Council on August 19, 1982 pursuant to Ordinance No. 1862 (Original Area). On June 20, 1985, the City Council approved an amendment to the Redevelopment Plan that added territory (First Amendment Area) pursuant to Ordinance No. 1911. A second amendment was adopted by the City Council pursuant to Ordinance No. 2007 on January 18, 1990. As part of the Second Amendment, a significant amount of territory was added (the "**Second Amendment Area**") and a new tax increment and bonded indebtedness limit was established for the Project Area. In December 1994, the Redevelopment Plan was again amended pursuant to Ordinance No. 2085 to bring various financial time limits into conformance with those required by State law pursuant to AB 1290. In July 2001 the Redevelopment Plan was again amended to extend the date to commence eminent domain proceedings.

The Agency's primary responsibilities include elimination of slums and blight, revitalization of older neighborhoods, facilitation of additional housing, encouragement of economic development and creation of new employment opportunities.

To accomplish these objectives, the Agency has a variety of powers. Acting under the Redevelopment Law, the Agency is authorized to prepare redevelopment project plans; to acquire property; to help to relocate the occupants of acquired properties; to remove substandard structures; to install streets and sidewalks and make other public improvements; to market land for a variety of purposes; to develop or assist in the development of new and rehabilitated housing; to facilitate the development of commercial and industrial properties; to issue bonds to finance activities; and to impose environmental, open space and urban design controls.

The Original Area contains 332 acres of land. The First Amendment Area added 4.24 acres of land and the Second Amendment Area added 596 acres. The Project Area includes the traditional downtown of Redwood City, along with the Seaport and Marina sub-areas. The table below provides information on the land uses in the Project Area based on the 2003-04 property tax roll.

**TABLE 3**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Land Use Summary – Fiscal Year 2003-04**

<u>Land Use</u>	<u>No. of Parcels</u>	<u>Taxable Value</u>	<u>Percent of Total</u>
Residential	717	\$ 255,779,592	20.58%
Commercial	395	400,358,913	32.21
Industrial	114	250,187,664	20.13
Vacant Land	51	72,277,625	5.82
Other	<u>116</u>	<u>64,567,446</u>	<u>5.20</u>
Total Secured	1,393	\$1,043,171,240	83.93
Unsecured/State Assessed		<u>199,696,950</u>	<u>16.07</u>
Total		<u>\$1,242,868,190</u>	<u>100.00%</u>

*Source: Fraser & Associates*

### Redevelopment Plan Limitations

Among the changes to the Redevelopment Law accomplished by the enactment of AB 1290 was a provision which limits the period of time for incurring and repaying loans, advances and indebtedness which are payable from tax increment revenues. In general and subject to shorter limitations which may be contained in a redevelopment plan, loans, advances and indebtedness may be incurred within the later of January 1, 2004 or 20 years from the date of original adoption of the redevelopment plan, a redevelopment plan must terminate not later than January 1, 2009 or 40 years following the date of original adoption of the redevelopment plan, and loans, advances and indebtedness must be repaid during a period extending not more than 10 years following the date of termination of the redevelopment plan. AB 1290 further required that any redevelopment plan that either did not contain the appropriate limitations or that contained limitations longer than permitted by AB 1290 must be amended by the applicable legislative body. Accordingly, in response to the requirements of AB 1290, the City Council of the City adopted Ordinance No. 2085 in 1994, which provides limits as described below.

**Table 4**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Redevelopment Plan Limits**

<u>Limit</u>	<u>Original Area</u>	<u>First Amendment Area</u>	<u>Second Amendment Area</u>
Debt Establishment	01/01/2004	06/20/2005	01/18/2010
Plan Effectiveness	08/19/2022	06/20/2025	01/18/2028
Tax Increment Receipt	08/19/2032	06/20/2035	01/18/2038
Outstanding Bond Debt Limit		\$119 million combined	
Cumulative Tax Increment		\$398 million combined	

The Agency reports that it has received \$49.4 million in cumulative gross tax increment for the Project Area through fiscal year 2002-03. The Fiscal Consultant has estimated in the Fiscal Consultant Report that, based on 2% annual growth in assessed value, the Agency will not reach the tax increment limit prior to the last date to receive tax increment in the Project

Area. In the Indenture, the Agency covenants that it will not enter into any obligation or make any expenditure payable from taxes allocated to the Agency which, together with payments theretofore made or to be made with respect to other obligations (including, but not limited to, the Bonds) previously entered into by the Agency, would exceed the then-effective Plan Limit on the amount of taxes which can be allocated to the Agency pursuant to Section 33333.4 of the Law and the Redevelopment Plan. The Agency shall annually certify, within ninety (90) days following the end of each fiscal year, that the sum of (1) all Tax Revenues allocated to the Agency on behalf of the Project Area to the end of such fiscal year, and (2) debt service on all Outstanding obligations of the Agency, is less than 90% of the Plan Limit. If the sum is greater than or equal to 90% of the Plan Limit, all subsequent Tax Revenues not otherwise pledged for payment of Debt Service on Outstanding obligations of the Agency shall be deposited in an escrow with the Trustee to be applied annually, at the earliest possible dates, to the optional redemption of the Bonds and Parity Bonds until no Bonds or Parity Bonds remain Outstanding. The funds in such escrow can only be used to pay such Debt Service. Tax Revenues may be released from the escrow if an Independent Certified Public Accountant verifies that the remaining escrowed funds will be sufficient to pay Debt Service on the Bonds after the release. Amounts on deposit in such the escrow shall be invested in Federal Securities.

**Senate Bill 211.** The California Legislature recently enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"). SB 211 provides, among other things, that the limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994, may be deleted by ordinance of the legislative body.

SB 211 also authorizes the amendment of a redevelopment plan adopted prior to January 1, 1994, in order to extend for not more than 10 years the effectiveness of the redevelopment plan and the time to receive tax increment revenues and to pay indebtedness. Any such extension must meet certain specified requirements, including the requirement that the redevelopment agency establish the existence of both physical and economic blight within a specified geographical area of the redevelopment project and that any additional tax increment revenues received by the redevelopment agency because of the extension be used solely within the designated blighted area. SB 211 authorizes any affected taxing entity, the Department of Finance, or the Department of Housing and Community Development to request the Attorney General to participate in the proceedings to effect such extensions. It also would authorize the Attorney General to bring a civil action to challenge the validity of the proposed extensions.

SB 211 also prescribes additional requirements that a redevelopment agency would have to meet upon extending the time limit on the effectiveness of a redevelopment plan, including requiring an increased percentage of new and substantially rehabilitated dwelling units to be available at affordable housing cost to persons and families of low or moderate income prior to the termination of the effectiveness of the plan.

The Agency currently has no expectation to amend the limitations contained in the Redevelopment Plan pursuant to the authorizations contained in SB 211. However, any such amendment, if and when adopted, will trigger statutory tax sharing requirements with those taxing entities that do not have tax sharing agreements with the Agency. Statutory tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation becomes effective.

### **Outstanding Indebtedness of the Project Area**

**Bonded Debt.** Upon issuance of the Bonds, the Bonds and the 1997 Bonds will constitute the only outstanding bonded indebtedness of the Redevelopment Project payable from Tax Revenues.

**Developer Payment.** The Agency entered into a development agreement with Sequoia Developers as part of the Sequoia Station development. The agreement calls for payments of \$300,000 per year to be paid from the net tax increment and sales tax generated from the site. The Agency and City subsequently agreed that the full \$300,000 payment would be made from tax increment from the Project Area. The obligation is scheduled to be fully repaid in fiscal year 2008-09 and is payable on a senior basis to debt service on the Bonds.

### Major Property Owners

Within the Project Area, the following are the largest property taxpayers. Based on fiscal year 2003-04 taxable value valuations, the ten largest taxpayers represent approximately 36% of the total project area taxable value.

**TABLE 5**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Largest Property Taxpayers**  
**Fiscal Year 2003-04**

Assessee	Property Use	2003-04 Total Value <sup>(1)</sup>	% of Taxable Value <sup>(2)</sup>
EOP Seaport Centre LLC (3)	Industrial / R&D	\$118,421,294	9.53%
Metropolitan Life Insurance Company	Industrial / R&D	69,745,670	5.61
Irvine Apartment Communities LP	Apartment	72,047,145	5.80
Woodside Technology Center LLC	Industrial / R&D	53,500,000	4.30
Regency Centers LP	Commercial	27,354,357	2.20
Marshall Squares	Commercial	30,727,290	2.47
RWC Technology Station LLC	Office	21,000,000	1.69
Clarent Corporation	Unsecured	17,890,528	1.44
Maxygen Inc. (3)	Unsecured	17,883,675	1.44
Marymount Manor Apartments LLC	Residential	<u>20,809,482</u>	<u>1.67</u>
Total Valuation		\$449,379,441	36.16%

(1) Based on ownership of locally assessed secured and unsecured property.

(2) Based upon fiscal year 2003-04 total assessed value of \$1,242,868,190.

(3) These assesseees have open appeals.

Source: San Mateo County Assessor  
Prepared by: Fraser & Associates.

## **TAX REVENUES AND DEBT SERVICE COVERAGE**

### **General**

San Mateo County calculates tax increment to the Project Area by applying the current year tax rate to secured incremental taxable values and the prior year tax rate to unsecured incremental taxable values. The County also allocates unitary revenue to the Project Area. The allocation of unitary revenue is based on a formula under which revenues are adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment generated from the tax roll is allocated to the Agency by the County based on 100 percent of the unsecured and secured levy. The method is often referred to as the Teeter Plan, however the application by the County to the Agency of 100% of the tax increment is pursuant to an agreement between the County and the Agency rather than application of the Teeter Plan. Under the arrangement, the Agency is effectively shielded from the impact of delinquent property taxes. The County does adjust tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

### **Assessment Appeals**

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 State Board of Equalization, 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 "LIMITATIONS ON TAX REVENUES."

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, the Fiscal Consultant conducted a review of recently resolved and open appeals. Open appeals are shown on the table below.

**TABLE 6**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Summary of Pending Appeals**

Assessee	Original Roll Value	Applicant's Opinion of Value	Estimated Resolved Value	Estimated Valuation Reduction	Estimated Refunds
Mezes Plaza	\$13,457,613	\$9,000,000	\$10,227,786	\$3,229,827	\$32,298
Safeway Inc	2,525,366	841,789	1,919,278	606,088	6,061
Maxygen Inc	16,851,264	7,987,164	12,806,961	4,044,303	40,443
Seaport Centre LLC	56,040,004	39,900,000	42,590,403	13,449,601	134,496
ERA LL	4,828,838	2,645,081	3,669,917	1,158,921	11,589
Minor Appeals (1)	9,605,157	4,755,794	7,587,318	2,017,839	49,798
Total Open	\$103,308,242	\$65,129,828	\$78,801,663	\$24,506,579	\$ 274,685

(1) Includes appeals for two assessees no longer in the Project Area that could have refund impacts.

*Source: Fraser & Associates*

For the open appeals, the Fiscal Consultant has estimated the potential impact based on the average value reduction for the resolved appeals shown above, which equals a 25 percent reduction. This would result in an estimated value reduction of \$24.5 million. For purposes of the tax increment projections shown on Table 8 below, the Fiscal Consultant has reduced taxable value for the impact of open appeals for the 2004-05 fiscal year, and has assumed a refund impact in fiscal years 2003-04 and 2004-05.

**Teeter Plan**

In 1993, the Board of Supervisors of San Mateo County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. Tax increment generated from the tax roll is allocated to the Agency by the County based on 100 percent of the unsecured and secured levy. The method is often referred to as the Teeter Plan, however the application by the County to the Agency of 100% of the tax

increment is pursuant to an agreement between the County and the Agency rather than application of the Teeter Plan. Accordingly, Agency receives full increment of the current year's secured and unsecured assessed valuation, less the base year's secured assessed valuation, with no adjustments for delinquencies, refunds or adjustments, except that the County adjusts tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments.

### Historic Assessed Values and Tax Receipts

While secured assessed values have consistently increased over the last five years, unsecured values declined from 2001-02 to 2002-03 and from 2002-03 to 2003-04. In fiscal year 2002-03, unsecured values declined by \$33.5 million, much of which was attributable to Open Wave Systems moving from a site in the Project Area to another site in the City. A substantial decline for fiscal year 2003-04 was attributable to Clarent Corporation filing for bankruptcy, which resulted in a reduction of unsecured values by \$18 million. This reduction was partly offset by new investment in the Project Area by other property owners, including the Sims Group (added \$6 million in new unsecured value) and Ortho McNeil Pharmaceutical (added \$3 million). The table below sets forth a summary of the Project Area's taxable valuations and tax increment revenues since fiscal year 1999-00. The total percentage change in taxable values was a 38% increase over the five-year period. The average annual percentage change was 7.6 percent.

**TABLE 7**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Historic Project Area Assessed Values and Tax Revenues**

	1999-00	2000-01	2001-02	2002-03	2003-04
Locally Assessed Secured Value	\$766,654,954	\$809,109,714	\$926,871,190	\$1,005,515,218	\$1,043,171,240
Unsecured Value	132,499,882	183,682,873	237,905,821	204,377,833	196,974,2662
State-Assessed Value	<u>1,304,224</u>	<u>1,275,634</u>	<u>1,308,789</u>	<u>1,308,789</u>	<u>2,722,688</u>
Total Taxable Value	900,459,060	994,068,221	1,166,085,800	1,211,201,840	1,242,868,190
Percentage change	1%	10%	17%	4%	3%
Less Base Year Value (1)	<u>(331,662,856)</u>	<u>(331,662,856)</u>	<u>(331,662,856)</u>	<u>(331,662,856)</u>	<u>(331,662,856)</u>
Total Incremental Value	\$568,796,204	\$662,405,365	\$834,422,944	\$879,538,984	911,205,334
Levy per County	5,328,630	6,263,838	8,009,581	8,439,422	n/a
Tax Inc. less Supplementals	5,296,355	6,188,613	7,901,901	8,442,005	n/a
Supplementals	<u>325,475</u>	<u>154,127</u>	<u>1,076,664</u>	<u>82,157</u>	<u>n/a</u>
Total Tax Increment Receipts	\$5,621,830	\$6,342,740	\$8,978,565	\$8,524,162	n/a

Source: San Mateo County Auditor-Controller Office; Prepared by Fraser & Associates.

Approximately \$73 million of the value increase from 2000-01 to 2001-02 was related to new development activity. This included the partial completion of the 206 unit Irvine Apartment complex, which added \$45 million in value; the completion of a large office development by RWC Technology, which added \$21.5 million; and other small office developments. Changes of ownership also added over \$47 million in new value over the period.

The major change was the acquisition by Woodside Technology of an office campus that added \$38 million in new value. The balance of the value increases can be attributed to other small changes of ownership and the allowable 2 percent inflation adjustment.

For fiscal year 2003-04, the completion of the Irvine Apartment complex added an additional \$27 million in new value on the fiscal year 2003-04 tax roll. Changes of ownership increased value by approximately \$11 million. Growth in secured value was offset by Proposition 8 reductions that were granted to the Woodside Technology Center (a \$20.4 million reduction); RWC Technology (a \$2.6 million reduction); and Vista Marin (a \$1.3 million reduction).

Actual receipts of tax increment have averaged 99 percent of the levy for the Project Area. The main reason that tax increment has been less than the calculated levy in certain fiscal years is due to refunds from assessment appeals. Refunds have ranged from a high of \$176,974 in fiscal year 2001-02 to \$30,949 in 2002-03. Because a payment of tax increment to the Agency is made pursuant to an arrangement similar to the County's Teeter Plan, the Agency receives 100% of both the secured and unsecured levy. See "Teeter Plan" above.

### **New Development**

The projections shown on Table 8 below include increases in taxable values for recent transfers of ownership that are not yet reflected on the tax roll and new development activity that is under construction or planned in the Project Area. See "APPENDIX F - Fiscal Consultant's Report - Table 6" for a tabulation of the transfers of ownership and new developments that have been included, which are further described below:

- **Cinema & Retail Development:** This development includes an 80,000 square foot cinema and 80,000 square feet of other types of retail uses. The transfer of land to the developer is also expected to trigger a reassessment of the land value, which is expected to occur on the 2004-05 tax roll. Public off site improvements for the development are now underway. The private portions of the cinema project are expected to be under construction by the spring of 2004 and add taxable value to the fiscal year 2005-06 and 2006-07 tax rolls.

Increases in real property values have been offset by the estimated impact of resolved and open assessment appeals. Appeals are estimated to reduce real property values by \$24.5 million in 2004-05.

### **Tax Sharing Agreements**

Pursuant to former Section 33401 of the Redevelopment Law, the Agency has entered into certain tax sharing agreements with, or has waived a specified share of tax increment for, the certain taxing entities in the Project Area. Some of the payments under certain tax sharing agreements are senior to debt service on the Bonds. A brief discussion of each agreement is provided under the caption "SECURITY FOR THE BONDS - Tax Sharing Agreements."

### **Projected Tax Revenues**

The table below sets forth the projected taxable valuation and gross tax revenues for the Project Area through fiscal year 2031-32. This projection has been prepared by the Fiscal Consultant and is based on 2% annual assessed valuation growth. The ultimate actual reductions to tax increment and Project Area taxable values may be higher or lower than what

has been incorporated in the following projections. See Table 9 for a continuation of this table showing projections of the net tax revenues.

**TABLE 8**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Projected (Based on 2% Assessed Valuation Growth) Gross Tax Revenues (1)(2)**  
**(\$'s in thousands)**

<u>Fiscal Year</u>	<u>Total Real Property<sup>(2)</sup></u>	<u>New Development</u>	<u>Total Other Property<sup>(3)</sup></u>	<u>Projected Total Value</u>	<u>Projected Increment Over Base</u>	<u>Projected Gross Tax Revenues<sup>(4)</sup></u>
2003-04	\$1,134,683	N/A	\$108,185	\$1,242,868	\$ 869,685	\$ 8,757
2004-05	1,128,642	\$7,500	108,185	1,244,326	871,143	8,771
2005-06	1,158,864	4,120	108,185	1,271,169	897,986	9,040
2006-07	1,186,244	12,360	108,185	1,306,789	933,605	9,396
2007-08	1,222,576	0	108,185	1,330,761	957,578	9,636
2008-09	1,247,028	0	108,185	1,355,213	982,029	9,880
2009-10	1,271,968	0	108,185	1,380,153	1,006,970	10,130
2010-11	1,297,408	0	108,185	1,405,593	1,032,409	10,384
2011-12	1,323,356	0	108,185	1,431,541	1,058,357	10,643
2012-13	1,349,823	0	108,185	1,458,008	1,084,824	10,908
2013-14	1,376,819	0	108,185	1,485,004	1,111,821	11,178
2014-15	1,404,356	0	108,185	1,512,541	1,139,357	11,453
2015-16	1,432,443	0	108,185	1,540,628	1,167,444	11,734
2016-17	1,461,092	0	108,185	1,569,277	1,196,093	12,021
2017-18	1,490,314	0	108,185	1,598,498	1,225,315	12,313
2018-19	1,520,120	0	108,185	1,628,305	1,255,121	12,611
2019-20	1,550,522	0	108,185	1,658,707	1,285,524	12,915
2020-21	1,581,533	0	108,185	1,689,718	1,316,534	13,225
2021-22	1,613,163	0	108,185	1,721,348	1,348,165	13,542
2022-23	1,645,427	0	108,185	1,753,611	1,380,428	13,864
2023-24	1,678,335	0	108,185	1,786,520	1,413,336	14,193
2024-25	1,711,902	0	108,185	1,820,087	1,446,903	14,529
2025-26	1,746,140	0	108,185	1,854,325	1,481,141	14,871
2026-27	1,781,063	0	108,185	1,889,248	1,516,064	15,221
2027-28	1,816,684	0	108,185	1,924,869	1,551,685	15,577
2028-29	1,853,018	0	108,185	1,961,202	1,588,019	15,940
2029-30	1,890,078	0	108,185	1,998,263	1,625,079	16,311
2030-31	1,927,879	0	108,185	2,036,064	1,662,881	16,689
2031-32	1,966,437	0	108,185	2,074,622	1,701,438	17,074

- (1) Columns may not add due to rounding.
- (2) Future value growth based on 2% growth in real property values. The values for 2004-05 have been reduced for appeals impact.
- (3) Includes the value of secured and unsecured personal property and state-assessed railroad and non unitary property.
- (4) Includes tax increment from application of 1% tax rate, plus unitary revenue of \$60,000.

Source: *The Agency; Fraser & Associates*

The table below sets forth the net amounts from which the Tax Revenues are derived after making allowances for County collection fees, and deductions of Housing Set-Aside payments. This projection has been prepared by the Fiscal Consultant and is based on 2% annual assessed valuation growth. The ultimate actual reductions to tax increment and Project Area taxable values may be higher or lower than what has been incorporated in the following projections.

**TABLE 9**  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2**  
**Projected (Based on 2% Assessed Valuation Growth) Net Tax Revenues (1)**  
**(000's omitted)**

Fiscal Year	Projected Gross Tax Revenues <sup>(2)</sup>	Property Tax Refunds	Prop. Tax Admin Costs <sup>(3)</sup>	Sequoia Agreement <sup>(4)</sup>	Tax Increment Waiver <sup>(5)</sup>	Non-Sub. Tax Sharing Amount <sup>(6)</sup>	Net Housing Set Aside <sup>(7)</sup>	Projected Tax Revenue
2003-04	\$ 8,757	\$135	\$90	\$300	\$1,019	\$14	\$1,412	\$5,787
2004-05	8,771	135	90	300	974	14	1,416	5,842
2005-06	9,040	0	93	300	1,021	15	1,473	6,139
2006-07	9,396	0	96	300	1,039	15	1,568	6,377
2007-08	9,636	0	99	300	1,058	16	1,616	6,377
2008-09	9,880	0	101	300	1,077	16	1,665	6,720
2009-10	10,130	0	104		1,097	16	1,715	7,197
2010-11	10,384	0	106		1,117	17	1,765	7,378
2011-12	10,643	0	109		1,138	17	2,126	7,253
2012-13	10,908	0	112		1,159	18	2,179	7,441
2013-14	11,178	0	115		1,183	18	2,233	7,629
2014-15	11,453	0	117		1,205	19	2,288	7,824
2015-16	11,734	0	120		1,228	19	2,345	8,023
2016-17	12,021	0	123		1,250	19	2,402	8,226
2017-18	12,313	0	126		1,273	20	2,460	8,433
2018-19	12,611	0	129		1,297	20	2,520	8,645
2019-20	12,915	0	132		1,321	21	2,581	8,860
2020-21	13,225	0	136		1,346	21	2,643	9,080
2021-22	13,542	0	139		1,371	22	2,706	9,304
2022-23	13,864	0	142		1,396	22	2,771	9,533
2023-24	14,193	0	145		1,423	23	2,836	9,766
2024-25	14,529	0	149		1,449	23	2,904	10,004
2025-26	14,871	0	152		1,476	24	2,972	10,247
2026-27	15,221	0	156		1,504	24	3,042	10,494
2027-28	15,577	0	160		1,532	25	3,113	10,747
2028-29	15,940	0	163		1,561	25	3,186	11,004
2029-30	16,311	0	167		1,590	26	3,260	11,267
2030-31	16,689	0	171		1,620	27	3,336	11,535
2031-32	17,074	0	175		1,651	27	3,413	11,809

- (1) Columns may not add due to rounding.
- (2) From Table 8. Future value growth based on 2% growth in real property values. The values for fiscal 2004-05 have been reduced for appeals impact.
- (3) Fee is estimated based on percentage of total tax increment for future years.
- (4) Pursuant to a development agreement with Sequoia Developers. See "REDEVELOPMENT PROJECT AREA NO. 2 - Outstanding Indebtedness of the Project Area" above.
- (5) Based on County's share of tax increment in the Original and First Amendment Areas only.
- (6) Reflects payments to be made to San Mateo County Mosquito Abatement District from the Original and First Amendment Area.
- (7) Reflects total housing set aside less portion of debt service paid from the Housing Fund for the 1997 Bonds.

Source: *The Agency; Fraser & Associates*

## Estimated Coverage

Estimated coverage in fiscal year 2003-04. Based on 2003-04 debt service on the 1997 Bonds of \$1,549,000 and estimated 2003-04 debt service on the Bonds of \$654,000 and projected revenues of \$5,787,000, estimated coverage on the 1997 Bonds and the Bonds for the Fiscal Year 2003-04 is 263%.

Estimated coverage based on maximum annual debt service prior to 2012. Assuming no growth in available tax increment revenues (\$5,787,000), and based on maximum annual debt service on the 1997 Bonds of \$1,549,000 and estimated maximum annual debt service on the Bonds of \$3,520,000, estimated coverage on the 1997 Bonds and the Bonds is 114%. The final payment due on the 1997 Bonds occurs in 2011.

Estimated coverage after 2011. Assuming no growth in available tax increment revenues (\$5,787,000), and based on estimated maximum annual debt service on the Bonds of \$3,520,000, estimated coverage on the Bonds after retirement of the 1997 Bonds is 164%.

## THE REDEVELOPMENT AGENCY

### Authority and Management

The Agency was established under the Redevelopment Law. The City Council adopted Ordinance No. 1491 on May 24, 1971, which activated the Agency. The Agency is governed by a seven member board which consists of the five members of the City Council of the City of Redwood City. The Mayor acts as Chairperson of the Agency. The current City Council and Agency members and term expiration dates are as follows:

<u>Board Member</u>	<u>Term Expires</u>
Richard S. Claire, Chairperson	November 2003
Jeff Ira, Vice Chairperson	November 2005
Jim Hartnett, Agency Member	November 2005
Diane Howard, Agency Member	November 2005
Colleen Jordan, Agency Member	November 2003
Barbara Pierce, Agency Member	November 2003
Ira Ruskin, Agency Member	November 2003

The operations of the Agency are conducted by the staff of the Redevelopment, Economic and Housing Division of the City's Community Development Services Department. The Division consists of a total of 10 staff that administers and implement the redevelopment programs and activities, as well as the economic development strategy for the City and the federal Community Development Block Grant and HOME programs and activities. In addition, the Division is supported by the Planning, Building and Engineering Division within the Department, all of whom play an integral role in bring projects to fruition. Principal agency staff, as designated in the Agency's bylaws, are as follows:

**Edward P. Everett, City Manager.** Mr. Everett has been City Manager of Redwood City since 1992. Prior to that, he was the City Manager of the City of Belmont for 8 years. He has over 30 years experience in city and county government. His educational background includes a Bachelor's degree in Economics from the University of California at Davis and a Master's in Urban Affairs from Princeton University.

**Michael Church, Executive Director.** Mr. Church has served as the Executive Director of the Agency since 1987. He served as the Housing Coordinator and Planning and Redevelopment Manager from 1980 to March, 2003. Prior to joining the City, Mr. Church worked as a coordinator of federal funding for Alameda County, as an Advance Planner for the City of Alameda and for a planning consultant in England.

**Bruce W. Liedstrand, Director of the Community Development Services Department.** Mr. Liedstrand has served as the Director of the Community Development Services Department since March, 2001. In that capacity, he oversees the downtown development efforts of the City, as well as the Planning, Building, Engineering, Redevelopment and Housing activities. Mr. Liedstrand served as City Manager of Cathedral City from 1991 to 1994 and as City Manager of the City of Mountain View from 1976 to 1988. In both Mountain View and Cathedral City he spearheaded the downtown development and revitalization efforts that transformed those cities.

**Brian J. Ponty, Treasurer.** Mr. Ponty has served as the Director of Finance and Financial Planning for the City since 1993. From 1985 to 1993, Mr. Ponty was the City's Assistant Finance Director. As Finance Director, Mr. Ponty leads a 31-member finance department consisting of three divisions, revenue services, information technology, and financial support operations for the City, with over \$100 million in annual revenues. Mr. Ponty has taught finance and accounting classes at Golden Gate University.

**Susan F. Moeller, Redevelopment Manager.** Ms. Moeller was hired in July 2002 as the Downtown Developer Coordinator and promoted to Redevelopment Manager in March 2003. She supervises the functions of redevelopment, housing, economic development and the federal block grant programs. Prior to joining Redwood City, Ms. Moeller worked for the city of Cathedral City for 9 years, the last 5 years as Redevelopment Director. She has worked in the field of community development and redevelopment for over 25 years, including the cities of Hayward, San Leandro, Whittier, Garden Grove, Santa Ana and Fresno.

## **Powers**

The Agency is charged with the responsibility of eliminating blight within its redevelopment project areas through the process of redevelopment. Generally, this process culminates when the Agency disposes of land for development by the private sector. Before this can be accomplished, the Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, grading and preparing the sites for purchase by developers and providing for ancillary off-site improvements.

All powers of the Agency are vested in its five members. The Agency exercises all of the governmental functions authorized under the Redevelopment Law in carrying out projects and has sufficient broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds, notes and other evidences of indebtedness and expend their proceeds.

The Agency can clear buildings and other improvements and develop as a building site any real property owned or acquired, and in connection with such development, cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Redevelopment in the State of California may be carried out under the Redevelopment Law. Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential,

commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency may out of the funds available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities, structures or other improvements to be publicly owned, to the extent that such improvements to be publicly owned are of benefit to the relevant project area in the removal of blight and no other reasonable means of financing is available. The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

### **Financial Information**

Included in this Official Statement, as Appendix B, are the audited financial statements of the Agency for the Fiscal year ended June 30, 2002. The Agency's financial statements are public documents and are included within this Official Statement without the prior approval of the auditor. Accordingly, the auditor has not performed any post-audit of the financial conditions of the Agency.

## **OTHER INFORMATION**

### **Continuing Disclosure**

The Agency has covenanted in the Indenture for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than 210 days following the end of the Agency's fiscal year ending June 30, commencing with the fiscal year ending June 30, 2003 (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

### **Litigation**

At the time of delivery of and payment for the Bonds, the Agency will certify that, except as disclosed herein, to its best knowledge there is no litigation, action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or body, pending against or threatened against the Agency in any way affecting the existence of the Agency or the titles of its officers to their respective offices or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of Tax Revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, or any action of the Agency contemplated by any of said documents, or in any way contesting the completeness or accuracy of this

Official Statement or the powers of the Agency or its authority with respect to the Indenture or any action of the Agency contemplated by said document, or which would adversely affect the exclusion of interest paid on the Bonds from gross income for Federal income tax purposes or the exemption of interest paid on the Bonds from California personal income taxation, nor, to the knowledge of the Agency, is there any basis therefor.

### **Tax Matters**

In the opinion of Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is, under existing law, exempt from State of California personal income taxes. A copy of the proposed opinion of Bond Counsel is set forth in APPENDIX B hereto.

The Internal Revenue Code of 1986 (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Agency has covenanted to comply with certain restrictions designed to assure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in federal gross income, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assume compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the value of, or the tax status of interest on the Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Bond Counsel is further of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from federal gross income, and is exempt from State of California personal income taxes, the ownership or disposition of the Bonds, and the accrual or receipt of interest on the Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

### **Legal Opinion**

Nossaman, Guthner, Knox & Elliott, LLP, Irvine, California, Bond Counsel, will render an opinion with respect to the validity of the Bonds in substantially the form set forth in Appendix C hereto. Copies of such approving opinion will be available at the time of delivery of the Bonds. Jones Hall, A Professional Law Corporation, San Francisco, is serving as Disclosure Counsel to the Agency. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds.

## **Ratings**

The Bonds have received the rating of "AAA" and "Aaa" by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies ("**S&P**") and Moody's Investors Service ("**Moody's**"), respectively, with the understanding that upon execution and delivery of the Bonds the Policy insuring the payment when due of the principal and interest on the Bonds will be issued by Ambac Assurance. Such ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from S&P and Moody's.

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

## **The Authority**

The City of Redwood City Public Financing Authority is a joint powers authority, organized under a Joint Exercise of Powers Agreement, dated as of June 18, 1991. The Agreement was entered into under the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the "**JPA Law**"). The Authority was created for the primary purpose of assisting the financing or refinancing of public capital improvements of the City and the Agency. Under the JPA Law, the Authority has the power to purchase Bonds issued by any local agency at public or negotiated sale and may sell such Bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a board of seven directors, consisting of the members of the City Council of the City .

## **Underwriting**

The Bonds are being purchased by the Authority for concurrent resale to Stone & Youngberg LLC (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of \$\_\_\_\_\_ (being the principal amount of the Bonds plus a net original issue premium of \$\_\_\_\_\_ less an underwriter's discount of \$\_\_\_\_\_) under a Bond Purchase Contract among the Agency, the Authority and the Underwriter (the "**Purchase Contract**"). The Purchase Contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

## **Miscellaneous**

All quotations from and summaries and explanations of the Indenture and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, Indenture and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Agency. All estimates, assumptions, statistical information and other statements contained

herein, while taken from sources considered reliable, are not guaranteed by the Agency. The information contained herein should not be construed as representing all conditions affecting the Agency or the Bonds.

**REDEVELOPMENT AGENCY OF THE CITY OF  
REDWOOD CITY**

By: \_\_\_\_\_ /s/Brian J. Ponty  
Treasurer^ |

## APPENDIX A

### GENERAL INFORMATION CONCERNING THE CITY OF REDWOOD CITY

#### General

The City of Redwood City (the "**City**") is located in the Bay Area 25 miles south of San Francisco. It is the oldest bayside city in San Mateo County (the "**County**"), incorporated in 1867, and has been the County Seat since 1856. The City combines residential, industrial, and commercial elements in a largely urban environment. Its waterfront provides a yacht harbor and the only deep-water port in the South Bay. A wide variety of housing types are available. Services and trade, the County's two largest industry divisions, are expected to provide close to two-thirds of anticipated growth in the next two years.

#### Municipal Government

The City Council consists of seven members, elected by the voters of the City to staggered terms of four years each.

The City Council is the only body elected directly by the residents of Redwood City. As the legislative branch of the government, it makes final decisions on all major city matters. The Council adopts ordinances and resolutions necessary for efficient governmental operations, approves the budget, and acts as a board of appeals. It appoints the City Manager, City Attorney, and City Clerk and also most members of the City's boards, committees and commissions.

The current members of the City Council are as follows:

<u>Name and Office</u>	<u>Current Term Expires</u>
Richard S. Claire – <i>Mayor</i>	November 2003
Jeff Ira – <i>Vice Mayor</i>	November 2005
Jim Hartnett, <i>Councilmember</i>	November 2005
Diane Howard, <i>Councilmember</i>	November 2005
Colleen Jordan, <i>Councilmember</i>	November 2003
Barbara Pierce, <i>Councilmember</i>	November 2003
Ira Ruskin, <i>Councilmember</i>	November 2003

#### Population

Population figures for the City, the County and the State of California for the last five years are shown in the following table.

**CITY OF REDWOOD CITY  
POPULATION ESTIMATES**

<u>Year</u>	<u>City of Redwood City</u>	<u>County of San Mateo</u>	<u>State of California</u>
1999	76,700	724,400	33,766,000
2000	78,000	730,000	34,336,000
2001	75,800	712,400	34,385,000
2002	76,100	714,400	35,000,000
2003	76,000	717,000	35,591,000

*Source: State Department of Finance estimates (as of January 1)*

**Employment**

The County is included in the San Francisco Metropolitan Statistical Area (MSA). The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 1998 through 2002. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

**SAN FRANCISCO COUNTY METROPOLITAN STATISTICAL AREA  
(INCLUDING MARIN, SAN FRANCISCO AND SAN MATEO COUNTIES)  
CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT  
(ANNUAL AVERAGES)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Civilian Labor Force <sup>(1)</sup>	944,800	954,400	978,200	972,700	939,600
Employment	916,800	931,200	957,200	934,800	884,100
Unemployment	28,000	23,200	21,000	37,900	55,500
Unemployment Rate	3.0%	2.4%	2.1%	3.9%	5.9%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	3,600	3,600	3,700	3,500	3,400
Natural Resources, Mining and Construction	40,000	43,200	45,800	47,600	45,500
Construction	39,600	42,900	45,900	47,600	45,500
Manufacturing	64,900	63,100	61,400	56,100	50,100
Wholesale Trade	34,400	33,000	32,100	31,100	29,400
Retail Trade	94,400	97,600	101,000	100,800	97,000
Transportation, Warehousing and Utilities	59,300	57,100	57,800	54,800	48,700
Information	40,700	48,500	63,300	60,000	49,500
Finance and Insurance	71,900	73,200	73,400	78,800	74,600
Real Estate and Rental and Leasing	24,200	23,800	23,800	23,200	22,300
Professional and Business Services	211,600	223,700	241,900	219,200	190,000
Educational and Health Services	98,200	99,400	95,300	96,000	97,600
Leisure and Hospitality	109,300	111,700	114,800	115,700	112,000
Other Services	40,700	40,300	40,300	40,300	39,200
Federal Government	24,400	24,300	25,400	22,300	22,200
State Government	23,400	23,600	27,200	29,000	29,800
Local Government	74,900	77,600	78,600	79,000	80,700
Total, All Industries	1,015,900	1,043,600	1,085,800	1,057,400	992,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

Source: State of California Employment Development Department.

## Largest Employers

High-tech computer and internet companies account for the largest job sector in the City area. Government is the next leading source of employment. The following table lists the major employers within the City as of January 2002.

### CITY OF REDWOOD CITY Major Employers As of January 2002

<u>Employer Name</u>	<u>Number of Employees</u>
Oracle Corporation	7,400
San Mateo County	2,200
Kaiser Permanente	1,800
Electronic Arts	1,200
Redwood City School District	1,050
Sequoia Hospital	1,100
Open Wave Systems	900
Informatica Corporation	1,000
Broad Vision	759
City of Redwood City	607
Tyco Electronics	400
Canada College	380
The 3Do Company	325
Ampex Cororation	300
Cosine Communications	300
Perclose	300
PDI/Dreamworks	300
ABD Insurance	280
Resound	250
Provident Credit Union	250

Source: Redwood City Chamber of Commerce.

The following table lists the major employers within the County as of January 2002.

**SAN MATEO COUNTY  
Major Employers  
As of January 2002**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Applied Biosystems Group	Foster City	Professional & Commercial Equipment
DPR Construction Inc.	Redwood City	Nonresidential Building Construction
Electronic Arts Inc.	Redwood City	Computer Programming, Data Processing, and Other Computer Related Services
Franklin Templeton	San Mateo	Security Brokers & Dealers
Genentech Inc.	S San Francisco	Drugs, Proprietaries, & Sundries
Mills-Peninsula Medical Center	Burlingame	Hospitals
Oracle Corporation	Redwood City	Computer Programming, Data Processing, and Other Computer Related Services
Raychem Corporation	Menlo Park	Electronic Components & Accessories
Sequoia Hospital	Redwood City	Hospitals
Seton Medical Center	Daly City	Hospitals
Siebel Systems Inc.	San Mateo	Computer Programming, Data Processing, and Other Computer Related Services
SRI International Inc.	Menlo Park	Research & Testing Services
United Airlines	S. San Francisco	Air Transportation, Scheduled, and Air Courier Services
UPS	S. San Francisco	Freight Transportation Arrangement
Visa International	Foster City	Business Credit Institutions

Source: State of California Employment Development Department.

**Commercial Activity**

Total taxable transactions reported in the City during the first three quarters of calendar year 2002 amounted to \$1,054,944,000, a 15.1% decrease over the total taxable transactions of \$1,242,640,000 that were reported for the first three quarters of calendar year 2001. A summary of historic taxable sales within the City is shown in the following table.

**CITY OF REDWOOD CITY  
Taxable Retail Sales  
Number of Permits and Valuation of Taxable Transactions  
(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>
1997	654	\$829,614	2,272	\$1,243,687
1998	688	873,262	2,248	1,395,600
1999	752	1,022,765	2,296	1,572,666
2000	794	1,205,497	2,278	1,931,727
2001	800	1,057,252	2,182	1,611,644

Source: State Board of Equalization.

Total taxable transactions reported in the County during the first three quarters of calendar year 2002 amounted to \$8,613,612,000, a 11.0% decrease over the total taxable transactions of \$9,672,905,000 that were reported for the first three quarters of calendar year 2001. A summary of historic taxable sales within the County is shown in the following table.

**SAN MATEO COUNTY**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**(Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
1997	6,416	\$6,346,995	22,394	\$10,733,816
1998	6,706	6,609,248	21,774	11,035,003
1999	7,156	7,516,398	21,586	12,130,051
2000	7,392	8,596,944	21,173	14,044,016
2001	7,813	8,215,567	21,287	12,859,589

Source: State Board of Equalization.

**Median Effective Buying Income**

Effective buying income ("EBI") is designated by Sales and Marketing Management Magazine as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor 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, personal 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, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis. The following table demonstrates the growth in annual estimated EBI for the City, County, the State of California and the United States.

**SAN MATEO COUNTY**  
**Median Effective Buying Income**  
**As of January 1, 1998 through 2002**

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
1998	City of Redwood City	\$ 1,710,563	\$49,312
	County of San Mateo	16,207,690	50,511
	California	524,439,600	36,483
	United States	4,399,998,410	34,618
1999	City of Redwood City	\$ 1,874,993	\$52,769
	County of San Mateo	18,721,334	56,433
	California	590,376,663	39,492
	United States	4,877,786,658	37,233
2000	City of Redwood City	\$ 2,133,693	\$62,903
	County of San Mateo	20,511,353	65,565
	California	652,190,282	44,464
	United States	5,230,824,904	39,129
2001	City of Redwood City	\$ 2,152,934	\$62,335
	County of San Mateo	21,193,515	64,766
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2002	City of Redwood City	\$ 2,068,115	\$57,487
	County of San Mateo	20,903,988	60,071
	California	647,879,427	42,484
	United States	5,340,682,818	38,035

*Source: Sales & Marketing Management Survey of Buying Power.*

## Construction Activity

Building activity for the calendar years 1998 through 2002 in the City and the County is shown in the following tables.

### CITY OF REDWOOD CITY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Permit Valuation</u>					
New Single-family	\$43,301.6	\$12,871.0	\$1,677.0	\$3,319.0	\$2,506.3
New Multi-family	40,706.5	584.0	35,486.0	2,325.0	1,399.4
Res. Alterations/Additions	<u>12,154.9</u>	<u>23,670.8</u>	<u>18,784.2</u>	<u>19,827.0</u>	<u>20,719.8</u>
Total Residential	96,163.0	37,125.8	55,947.2	25,471.0	24,625.6
New Commercial	64,035.0	39,705.0	164,660.0	130,716.0	3,985.0
New Industrial	0.0	2,751.0	2,074.0	700.0	350.0
New Other	2,502.6	1,859.5	1,568.8	4,166.0	751.5
Com. Alterations/Additions	<u>55,605.7</u>	<u>58,355.6</u>	<u>74,530.3</u>	<u>68,654.0</u>	<u>42,871.0</u>
Total Nonresidential	122,143.3	102,674.1	242,833.1	204,236.0	47,957.6
<u>New Dwelling Units</u>					
Single Family	201	59	13	18	11
Multiple Family	<u>371</u>	<u>6</u>	<u>220</u>	<u>24</u>	<u>8</u>
TOTAL	572	65	233	42	19

Source: Construction Industry Research Board, Building Permit Summary.

### SAN MATEO COUNTY Building Permit Valuation (Valuation in Thousands of Dollars)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>Permit Valuation</u>					
New Single-family	\$254,469.0	\$213,773.2	\$241,236.0	\$234,590.9	\$267,726.9
New Multi-family	132,511.1	15,134.7	131,048.5	83,237.9	97,883.9
Res. Alterations/Additions	<u>158,723.0</u>	<u>205,843.2</u>	<u>189,917.6</u>	<u>197,900.1</u>	<u>221,181.8</u>
Total Residential	545,703.1	434,751.2	562,202.2	515,728.9	
New Commercial	184,348.4	307,010.3	423,976.5	362,812.6	185,884.1
New Industrial	8,527.0	33,386.2	27,891.0	29,624.3	12,420.5
New Other	37,461.3	56,629.1	34,524.6	31,456.6	76,717.2
Com. Alterations/Additions	<u>191,504.8</u>	<u>217,028.4</u>	<u>252,911.0</u>	<u>215,062.2</u>	<u>241,587.7</u>
Total Nonresidential	421,841.5	614,053.9	739,303.1	638,955.8	516,609.5
<u>New Dwelling Units</u>					
Single Family	988	768	846	722	653
Multiple Family	<u>1,187</u>	<u>133</u>	<u>1,471</u>	<u>719</u>	<u>770</u>
TOTAL	2,175	901	2,317	1,441	1,423

Source: Construction Industry Research Board, Building Permit Summary.

## **Utilities**

Natural gas, electric power and telephone service are provided by Pacific Gas & Electric Company and SBC, respectively. The City supplies water to 22,952 water customers in fiscal year 2001-02, and provides sewer services with 184 miles of sanitary sewers and 102 miles of storm sewers.

## **Education**

Public education instruction in the elementary grades is provided by the Redwood City Elementary School District, which operates 17 elementary and intermediate schools, serving approximately 8,700 students in the City. Sequoia Union High School District, in addition to administrative offices, operates a high school, a continuation school and an adult school, serving approximately 1,500 students within the City limits.

Post-secondary public education is available at three community college campuses operated by the San Mateo County Community College District. Aggregate enrollment in the College of San Mateo in the City of San Mateo, Canada College in the City, and Skyline College in the City of San Bruno was approximately 28,900 in 2002.

Within less than an hour's drive of the City are San Francisco State University, University of San Francisco, Stanford University, the University of Santa Clara, Hayward State University, University of California at Berkeley and San Jose State University.

## **Public Safety**

The Redwood City Police Department has 97 law enforcement officers, 11 community service officers and 12 communication dispatchers. The Redwood City Fire Department has 65 firefighters and officers serving from five fire stations.

**APPENDIX B**

**AGENCY'S AUDITED FINANCIAL STATEMENTS FOR  
FISCAL YEAR ENDED JUNE 30, 2002**

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

[Closing Date]

## **APPENDIX D**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a brief summary of the provisions of the Indenture of Trust relating to the Bonds (the "**Indenture**"). This summary is not intended to be definitive. Reference is made to the actual Indenture (a copy of which may be obtained from the Agency) for the complete terms thereof.

**[To Come]**

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

§ \_\_\_\_\_  
**REDEVELOPMENT AGENCY OF THE CITY OF REDWOOD CITY**  
**Redevelopment Project Area No. 2)**  
**Tax Allocation Bonds, Series 2003A**

This Continuing Disclosure Certificate (the "**Disclosure Certificate**") is executed and delivered by the Redevelopment Agency of the City of Redwood City (the "**Agency**") in connection with the issuance of the Agency's \$\_\_\_\_\_ principal amount of Redevelopment Agency of the City of Redwood City Redevelopment Project Area No. 2) Tax Allocation Bonds, Series 2003A (the "**Bonds**"). The Bonds are being issued under an Indenture of Trust dated as of October 1, 2003 (the "**Indenture**"), between the Agency and U.S. Bank National Association (the "**Trustee**"). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the 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 in this Section, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the Agency under and as described in Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" means U.S. Bank National Association or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

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

"*National Repository*" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Official Statement*" means the final Official Statement, dated July \_\_, 2003, relating to the Bonds.

"*Participating Underwriter*" means the original Underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Repository*" means each National Repository and each State Repository.

"*Rule*" means 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.

"*State Repository*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by

the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

**Section 3. Provision of Annual Reports.**

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the Agency's fiscal year, commencing with the fiscal year ending June 30, 2003, with the report for the 2002-03 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the 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 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 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 by fifteen (15) Business Days prior to the date specified in subsection (a) for providing an Annual Report to the Repositories, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Agency of such failure to receive the Report. The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent and the Trustee may conclusively rely upon such certification of the Agency and shall have no duty or obligation to review such Annual Report. If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and the appropriate State Repository, if any, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and
- (ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided under this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Audited Financial Statements 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 the Agency's audited financial statements are not available by the time the Annual Report is required to be filed under 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) To the extent not contained in the audited financial statements filed under the preceding clause (a), the Annual Report shall contain information showing (all capitalized terms have the meaning of such terms in the Official Statement):

- (i) information, updated to incorporate information with respect to the most recently ended fiscal year, of the type included in Table 5 of the Official Statement "Largest Property Taxpayers", in Table 7 of the Official Statement "Historic Project Area Assessed Values", and in Table 10 of the Official Statement "Debt Service Coverage Schedule"; and
- (ii) a description of any Parity Debt (date, amount, term, rating, insurance) issued by the Agency in the fiscal year to which the Annual Report pertains.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the Agency shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

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 Agency or related public entities, which have been submitted to each of the Repositories 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 Agency shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) Under the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults.
- (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 or events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders.
- (8) Contingent or unscheduled bond calls.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities.
- (11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a

notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The 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 Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be U.S. Bank National Association. The Dissemination Agent may resign by providing thirty days written notice to the Agency and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (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, 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 the Trustee or nationally recognized bond counsel, 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 under 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 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 Repositories 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 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 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 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 Agency to comply with any provision of this Disclosure Certificate 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 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 Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. Article VI of the Indenture is hereby made applicable to this Disclosure Certificate as if this Disclosure Certificate were (solely for this purpose) contained in the Indenture. The Dissemination Agent and the Trustee shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the 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. The Dissemination Agent shall be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Agency from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the Agency hereunder including the Annual Report and shall not be deemed to be acting in any fiduciary capacity for the Agency, Beneficial Owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon and directions from the Agency, or an opinion of nationally recognized bond counsel. Neither the Trustee nor the Dissemination Agent shall have any liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. 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 obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the 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.

Section 13. Future Determination of Obligated Persons. In the event that the Securities Exchange Commission amends, clarifies or supplements the Rule in such a manner that requires any landowner within the Project Area to be an obligated person as defined in the Rule, nothing contained herein shall be construed to require the Agency to meet the continuing disclosure requirements of the Rule with respect to such obligated person and nothing in this Disclosure Certificate shall be deemed to obligate the Agency to disclose information concerning any owner of land within the Agency except as required as part of the information required to be disclosed by the Agency under Section 4 and Section 5 hereof.

Date: \_\_\_\_\_, 2003

REDEVELOPMENT AGENCY OF THE  
CITY OF REDWOOD CITY

By: \_\_\_\_\_  
Treasurer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer:           Redevelopment Agency of the City of Redwood City

Name of Bond Issues:    \$\_\_\_\_\_ principal amount of Redevelopment Agency of the City of  
Redwood City Bonds Redevelopment Project Area No. 2 Tax  
Allocation Series 2003A (the "Bonds")

Date of Issuance:       \_\_\_\_\_, 2003

NOTICE IS HEREBY GIVEN that the Agency has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.07 of an Indenture of Trust, dated as of August 1, 2003, between the Agency and U.S. Bank National Association. The Agency anticipates that the Annual Report will be filed by\_\_\_\_\_.

Dated:\_\_\_\_\_

REDEVELOPMENT AGENCY OF THE  
CITY OF REDWOOD CITY

By\_\_\_\_\_

**APPENDIX F**  
**FISCAL CONSULTANT'S REPORT**

## APPENDIX G

### BOOK-ENTRY SYSTEM

The information in this Appendix G concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Agency takes no responsibility for the completeness or accuracy thereof. The 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 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 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 Bonds. The 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 security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "**NSCC**", "**GSCC**", "**MBSCC**", and "**EMCC**", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("**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 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 the Bonds, except in the event that use of the book-entry system for the 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 the 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 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the 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 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 (nor its nominee), the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an

authorized representative of DTC) is the responsibility of the 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 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Agency or the Trustee take any responsibility for the accuracy thereof.

Neither the Agency or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Agency or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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

**APPENDIX H**  
**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

**APPENDIX I**  
**ACCRETED VALUE TABLE**