

January 29, 2007

Mr. Scott C. Emmons  
Vice President  
Corporate Trust & Escrow Services  
Wells Fargo Bank  
707 Wilshire Boulevard, 17th Floor  
MAC# E2818-176  
Los Angeles, CA 90017

Dear Scott:

SUBJECT: Continuing Disclosure for San Jose Redevelopment Project Housing  
Set-Aside Bonds - Series 1997, 2003, and 2005 (main CUSIP  
798147)

Pursuant to the Continuing Disclosure Agreement for the Merged Area Redevelopment  
Project Housing Set-Aside Bonds, I hereby submit the following required Annual Report  
for fiscal year ended June 30, 2006:

1. Agency's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006 is available at the Agency's web site at:  
<http://www.sjredevelopment.org/Finance/financialinfo.htm>
2. Table of historical assessed values and housing set-aside amounts (Table I).
3. Projected housing set-aside amounts and debt service coverage (Table II).
4. Schedule of twenty largest payers of secured property taxes Table III).
5. Pending appeals of ten largest payers of secured property taxes:

For fiscal year 2005-2006, out of the top ten payers, Hitachi Global Storage Techs, Inc. has 15 appeals pertaining to real property with a current assessed value of \$235 million and is requesting a \$194 million reduction, Equity Office Properties has 22 appeals to real property with a current assessed value of \$602 million and is requesting \$48 million reduction, Irvine Community Development Company has 9 appeals pertaining to real property with a current assessed value of \$357 million and is requesting a \$94 million reduction, Sobrato Companies has 6 appeals pertaining to real property with a current assessed value of \$186 million and is requesting a \$56 million reduction, CarrAmerica has 24 appeals pertaining to real property with a current assessed value of \$237 million and is requesting a \$64

million reduction, Mission West has 15 appeals pertaining to real property with a current assessed value of \$246 million and is requesting a \$81 million reduction.

6. Description of parity debt (date, amount, term, rating, insurance) issued by the Agency in the fiscal year to which the Annual Report pertains: NONE
7. Form of Certificate (Annual Review of Tax Revenues) of the Redevelopment Agency of the City of San Jose pursuant to Bond Indenture (this information was also provided to you on December 1, 2006)

As the Dissemination Agent for the Housing Bonds, please be informed that in compliance with the Continuing Disclosure Agreement we will electronically submit the above information on or before the February 1, 2007 due date to the Municipal Advisory Council of Texas thru its web site at [www.DisclosureUSA.org](http://www.DisclosureUSA.org) for dissemination to NRMSIRs and SIDs, if any.

If you have any questions, please do not hesitate to give me call at (408) 795-1819.

Sincerely,



David Baum  
Chief Financial Officer

CC: Patricia Deignan, Agency Chief Deputy Counsel  
Attachments

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
 MERGED AREA REDEVELOPMENT PROJECT  
 Actual Assessed Value and Housing Set-Aside Amount  
 Fiscal Years 1984-1985 through 2005-2006**

**Table I**

Fiscal Year	Actual Assessed Value (1)	Tax Allocation	Supplemental Assessment	Total Tax Increment	Housing Set-Aside
1984/85	\$ 2,837,105,000	\$ 34,642,774	\$ 197,664	34,840,438	\$ 6,968,088
1985/86	3,456,929,000	42,558,214	1,886,475	44,444,689	8,888,938
1986/87	4,202,613,000	47,283,475	2,584,010	49,867,485	9,973,497
1987/88	4,406,847,000	49,001,869	1,809,274	50,811,143	10,162,229
1988/89	5,066,800,000	57,043,205	1,362,140	58,405,345	11,681,069
1989/90	5,410,430,000	61,841,034	1,146,698	62,987,732	12,597,546
1990/91	5,848,605,000	64,789,744	1,542,369	66,332,113	13,266,423
1991/92	6,237,299,000	68,969,865	1,061,533	70,031,398	14,006,280
1992/93	6,421,209,000	69,579,880	1,470,116	71,049,996	14,209,999
1993/94	6,492,990,000	69,755,126	767,950	70,523,076	14,104,615
1994/95	6,034,449,000	65,369,460	923,349	66,292,809	13,258,562
1995/96	6,282,826,000	67,877,862	355,213	68,233,075	13,646,615
1996/97	6,951,525,000	74,371,699	1,650,373	76,022,072	15,204,414
1997/98	8,223,179,091	91,113,164	5,100,111	96,213,275	19,242,655
1998/99	9,933,973,046	106,298,489	5,918,307	112,216,796	22,443,359
1999/00	11,273,810,711	119,982,229	9,699,245	129,681,474	25,936,295
2000/01	12,684,748,178	134,649,256	7,502,078	142,151,334	28,430,267
2001/02	16,775,688,837	175,926,065	12,533,009	188,459,074	37,691,815
2002/03	17,635,836,531	187,447,745	10,577,850	198,025,595	39,605,119
2003/04	15,865,534,711	168,015,004	2,193,031	170,208,035	34,041,607
2004/05	13,943,724,073	148,329,398	1,647,080	149,976,478	29,995,295
2005/06	13,918,468,871	148,327,820	1,490,848	149,818,668	29,963,733

(1) Net of base year assessed value.

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE  
 MERGED AREA REDEVELOPMENT PROJECT  
 Projected Housing Set-Aside and Debt Service Coverage**

Table II

<u>Year-end</u>	<u>Housing Set-aside</u>	<u>Combined Senior Lien Debt Service</u>	<u>Debt Service Coverage</u>
8/1/2007	31,908,606	15,208,892	2.10
8/1/2008	31,909,882	15,206,920	2.10
8/1/2009	31,909,882	15,204,964	2.10
8/1/2010	31,909,882	15,207,954	2.10
8/1/2011	31,909,882	15,203,911	2.10
8/1/2012	31,909,882	15,206,695	2.10
8/1/2013	31,909,882	15,207,865	2.10
8/1/2014	31,909,882	15,204,078	2.10
8/1/2015	31,909,882	15,204,898	2.10
8/1/2016	31,909,882	15,208,881	2.10
8/1/2017	31,909,882	15,204,551	2.10
8/1/2018	31,909,882	15,207,509	2.10
8/1/2019	31,909,882	15,204,105	2.10
8/1/2020	31,909,882	15,206,905	2.10
8/1/2021	31,909,882	15,207,853	2.10
8/1/2022	31,909,882	14,228,611	2.24
8/1/2023	29,966,151	14,224,662	2.11
8/1/2024	29,966,151	14,227,379	2.11
8/1/2025	29,966,151	14,225,304	2.11
8/1/2026	29,966,151	14,225,997	2.11
8/1/2027	29,966,151	11,499,229	2.61
8/1/2028	24,523,958	11,328,649	2.16
8/1/2029	24,215,277	9,301,219	2.60
8/1/2030	19,974,207	9,303,909	2.15
8/1/2031	19,974,207	9,300,314	2.15
8/1/2032	19,974,207	6,019,333	3.32
8/1/2033	13,145,321	6,023,689	2.18
8/1/2034	13,145,321	5,147,484	2.55
8/1/2035	11,511,607	732,947	15.71

Table III

**REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE**  
**Merged Area Redevelopment Projects**  
**Twenty Largest Property Owners**  
**Fiscal Year Ending June 30, 2006**  
**(dollars expressed in thousands)**

	Taxpayers		Assessed Value Total	% of Total
	Secured	Unsecured		
1 Cisco Systems	\$ 592,863	\$ 1,423,387	\$ 2,016,250	13.41%
2 Hitachi Global Systems	234,548	361,569	596,117	3.97%
3 Equity Office Properties	570,822		570,822	3.80%
4 Irvine Community Development	383,982	7,681	391,663	2.61%
5 Sobrato Interests	358,405		358,405	2.38%
6 CarrAmerica	281,865	504	282,369	1.88%
7 Forest City	277,129	1,552	278,681	1.85%
8 Adobe Systems	209,032	49,567	258,599	1.72%
9 Novellus	87,749	146,312	234,061	1.56%
10 Mission West	209,304		209,304	1.39%
11 Agilent	116,800	41,108	157,908	1.05%
12 eBay	130,622	16,709	147,331	0.98%
13 Shea River-Oaks	122,060	253	122,313	0.81%
14 Maxim	9,300	110,619	119,919	0.80%
15 KLA	69,620	48,748	118,368	0.79%
16 Sony	97,569	20,660	118,229	0.79%
17 Cadence	62,461	52,994	115,455	0.77%
18 Brocade	25,003	84,683	109,686	0.73%
19 AMB Properties	109,617		109,617	0.73%
20 Peery	104,436		104,436	0.69%
<b>Total - Twenty Largest Property Owners</b>	<b>\$ 4,053,187</b>	<b>\$ 2,366,346</b>	<b>\$ 6,419,533</b>	<b>0.43</b>
<b>Total Assessed Value in the Merged Area's Income Generating Area</b>	<b>\$ 11,211,223</b>	<b>\$ 3,822,707</b>	<b>\$ 15,033,930</b>	<b>100%</b>

**FORM OF CERTIFICATE OF THE REDEVELOPMENT AGENCY OF  
THE CITY OF SAN JOSE PURSUANT TO SECTION 6.02 OF THE SIXTH  
SUPPLEMENTAL INDENTURE RELATING TO ITS  
HOUSING SET-ASIDE TAX ALLOCATION BONDS  
(SERIES 2003 J & K and SERIES 2005 A, B, C & D)**

The undersigned, the Chief Financial Officer of the Redevelopment Agency of the City of San José (the "Agency"), hereby certifies, pursuant to Section 6.02 of the Trust Indenture dated as of July 1, 2003 and June 1, 2005 (the "Indenture") by and between the Agency and Wells Fargo Bank National Association, as trustee (the "Trustee"), hereby certifies as follows:

(i) The amount of Tax Increment Revenue and Housing Set-Aside Amounts received by the Agency through Fiscal Year 2005-2006 and Fiscal Year 2004-2005 under the Merged Area Redevelopment Plans (but not including any tax increment revenue otherwise excluded under the Merged Area Redevelopment Plans' limitation on the amount of tax increment revenue that can be allocated to the Agency) is \$2,202,891,492 and \$2,053,072,824, respectively.

(ii) The amount of Tax Increment Revenue and Housing Set-Aside Amounts remaining available to be received by the Agency under the Merged Area Redevelopment Plans (but not including any tax increment revenue otherwise excluded under the Merged Area Redevelopment Plans' limitation on tax increment revenue that can be allocated to the Agency) through Fiscal Year 2006-2005 and Fiscal Year 2004-2005 is \$5,445,533,283 and \$5,580,851,337, respectively.

(iii) (a) The amount of Tax Increment Revenue and Housing Set-Aside Amounts expected to be received for each of the next three Fiscal Years (assuming a 2% increase in each Fiscal Year), is set forth below:

<u>Fiscal Year</u>	<u>Net Tax Increment Revenue<sup>(1)</sup></u>	<u>Housing Set-Aside Amounts</u>
2006 - 2007	\$ 129,148,836	\$32,449,456
2007 - 2008	\$ 131,731,813	\$33,098,446
2008 - 2009	\$ 134,366,449	\$33,760,414

(b) The amount of Tax Increment Revenue and Housing Set-Aside Amounts remaining available to be received by the Agency under the Merged Area Redevelopment Plans (but not including any tax increment revenue otherwise excluded under the Merged Area Redevelopment Plans' limitation on Tax Increment Revenue that can be allocated to the Agency), after receipt of the revenues identified in (iii) (a) in each of the next three years is set forth below:

<u>Fiscal Year</u>	<u>Tax Increment Revenue Remaining to be Received<sup>(1)</sup></u>	<u>Housing Set-Aside Revenue Remaining to be Received</u>
2006 - 2007	\$4,225,979,811	\$1,056,657,201
2007 - 2008	\$4,093,573,049	\$1,023,558,755
2008 - 2009	\$3,958,518,152	\$ 989,798,341

(iv) The future cumulative Annual Debt Service is \$342,652,118.

(v) The future cumulative annual debt service on any Subordinated Indebtedness issued under the Subordinate Agreement (assuming, at the time of calculation, an interest rate on such bonds equal to the 5 year average of the 30 day London Inter Bank Offering Rate or, if such average is not available, the 5 year average of the 30 day Treasury Bill rate for so long as those bonds bear interest at an adjustable rate) is \$138,698,409.

(vi) The future annual cumulative debt service under the Credit Agreement or successor credit agreement as provided in Section 6.01 of the Seventh Supplemental Agreement, is \$0.

(vii) The future annual cumulative payments on any other obligations of the Agency payable from Housing Set-Aside Amounts that are subordinate to the Bonds is \$0.

(viii) The sum of (iv), (v), (vi), and (vii) equals \$481,350,527 is less than ninety percent (90%) of the amount set forth in (ii) with respect to Housing Set-Aside Amounts available to be received as of the prior Fiscal Year or the amount set forth in (iii) with respect to the Housing Set-Aside Amounts available to be received during any of the next three Fiscal Years. [In the event the sum of (iv), (v), (vi) and (vii) is greater than ninety percent (90%) of (y) the amount set forth in (ii) with respect to Housing Set-Aside Amounts in the prior Fiscal Year or (d) the amount set forth in (iii) with respect to Housing Set-Aside Amounts during any of the next three Fiscal Years, the Agency must establish an escrow as provided in Section 6.02 of the Indenture or otherwise adopt a plan approved by an Independent Redevelopment Consultant as provided in said Section 6.02].

(ix) The amount of Tax Increment Revenue and Housing Set-Aside Amounts received by the Agency during the Fiscal Year 2005-2006 and Fiscal Year 2004-2005 was \$149,818,668 and \$149,976,478, respectively.

(x) The amount of Housing Set-Aside, if any, used or escrowed during the prior Fiscal Year for use to pay interest on and principal of and redemption premiums, if any, on the Bonds, was \$5,977,215.

(xi) Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture.

Dated: December 1, 2006

REDEVELOPMENT AGENCY OF THE CITY  
OF SAN JOSE

BY: David Baum  
David Baum  
Chief Financial Officer

<sup>(1)</sup> Represents total tax increment minus 20% statutory housing set-aside and ½ of 1% for statutory AB1290 Pass-Through.