



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 04/27/04
AGENDA ITEM 8
WORK SESSION ITEM _____

TO: Mayor and City Council, Redevelopment Agency Board, and Public Financing Authority Board Members

FROM: City Manager

SUBJECT: Authorization for the Issuance of Redevelopment Tax Allocation Bonds and Approval of Contracts for Financial and Legal Services

RECOMMENDATION:

It is recommended that the City Council, Redevelopment Agency Board, and Public Financing Authority approve the attached resolutions (a) approving the issuance of Redevelopment Tax Allocation Bonds, Series 2004, and related legal documents; and (b) approving the appointment of a team of public finance professionals to execute the transaction.

BACKGROUND:

On February 24, 2004, the City Council and Redevelopment Agency Board received a report discussing the capacity of the Redevelopment Agency to issue tax allocation bonds. Since that time, staff has been engaged in a process of preparing a tax-exempt, tax allocation bond financing based on the Agency's current bonding capacity. The proposed financing will fund a variety of capital improvements related to ongoing and proposed redevelopment activities in Hayward. Among the capital improvement projects to be funded are: 1) public improvements related to the implementation of the Cannery Area Plan, including construction of a new Burbank Elementary School, expansion of Cannery Park, and installation of backbone infrastructure needed to serve the public facilities, and 2) the expansion and improvement of parking facilities in the downtown core area.

In addition to providing sufficient new money to fund the construction projects described above, the proposed financing also includes a refinancing of the Agency's existing 1996 Tax Allocation Bonds, which carry interest rates that are approximately 1.5 to 2 percent higher than current interest rates for tax allocation bonds. Based on a conservative interest rate assumption, refunding the \$4.15 million in remaining principal on its Series 1996 Tax Allocation Bonds will allow the Agency to realize cost savings equal to or greater than 4% of the outstanding principal, or at least \$175,000. Refinancing the existing bonds also provides certain advantages in terms of increasing debt capacity and providing some relief from short-term budgetary constraints.

The exact size and structure of the bond issue and the amount of annual debt service will not be known until the day of the bond sale due to daily fluctuations in the municipal bond market. However, the authorizing resolution establishes the following set of maximum parameters for the proposed Series 2004 Bonds:

- Aggregate principal amount of the bonds: \$48.5 million
- True Interest Cost: 5.5%
- Underwriter's Discount: 1%

With these fixed upper bounds in mind, the following table provides a projection of the major elements of the transaction, based on analysis of key variables such as interest rates on similar, recent transactions, the Agency's current debt capacity and budgetary constraints, and funding requirements for the aforementioned proposed capital projects.

Table 1
Bond Issue Summary (Preliminary)

Type of Bond Sale	Negotiated
Date of Bonds	May 26, 2004
Term	30 Years
Interest Rates	4.5% - 5.5%
Par Amount of Bonds	\$46 - \$48 million
Deposit to Project Construction Fund	\$38 million

As shown in the table above, the par amount, or face value, of the bonds is expected to be in the range of \$46-\$48 million. The amount of actual proceeds available for construction projects is anticipated to be about \$38 million. Of this amount, about \$27 million will be used for public facilities in the Burbank-Cannery Area, including a new joint-use Burbank Elementary School and expanded Cannery Park, while approximately \$11 million will be used for the construction of additional downtown parking facilities.

The difference of \$8-\$10 million between the par amount and the net construction proceeds includes approximately \$4.3 million to pay off the remaining 1996 bonds; the establishment of a required debt service reserve account of approximately \$3.7 million; and all other costs for professional services and miscellaneous expenses associated with the issuance of the Bonds.

Financing Team

In preparing for this bond issue, staff assembled a team of public finance professionals, consisting principally of a Financial Advisor, Bond Counsel, and Disclosure Counsel, to facilitate the process. The fees for services provided by these professionals are included as costs of issuance, and as such are contingent upon the actual sale of bonds and will be paid from bond proceeds.

CSG Advisors, Incorporated was selected to serve as the Financial Advisor (FA) on this transaction based on their prior excellent service to the City on its housing projects, and their extensive experience in designing strategies to finance complex public/private ventures.

Once the FA was selected, the next step was to choose between a negotiated and a competitive sale, each of which provides certain advantages over the other, depending on a number of factors such as the specific financing mechanism(s) involved, the financing goals of the issuer, and the type and quality of the credit. For example, a competitive sale is usually selected when the only criterion is the interest rate.

In this case, however, it was evident that the Agency would benefit from having an investment banker involved early in the planning process to analyze a series of bond sizing and structuring scenarios in order to prepare a financing that would not only provide a sufficient amount of funding for the proposed projects, but would also meet the Agency's needs with respect to its current and future operating budget. Thus, it was determined that a negotiated sale would be the most effective method of achieving the Agency's financing goals. Accordingly, Agency staff issued a request for proposals (RFP) for investment banking services. After reviewing proposals from a total of five (5) firms in consultation with CSG Advisors, the investment banking firm RBC Dain Raucher, Inc. was selected to serve as the Underwriter on the transaction.

Finally, based on a history of serving the City and Agency well in prior bond issues and competitive rates, Bill Madison of Jones Hall, a Professional Law Corporation, was selected to serve as Bond Counsel, and Jacquelynne Jennings of Lofton & Jennings was selected to serve as Disclosure Counsel for this transaction. The firm of Lofton & Jennings is a minority/woman owned firm located in San Francisco.

Preliminary estimates of the fees for the financing team's services are: \$195,000 for Underwriter; \$46,500 for Financial Advisor; \$75,000 for Bond Counsel; and \$30,000 for Disclosure Counsel.

Next Steps

In order to proceed with the financing, it is necessary for the City Council, the Redevelopment Agency, and the Public Financing Authority to take certain actions. Specifically, the entities must adopt resolutions authorizing the issuance of debt, approving the form of the documents, authorizing the distribution of an Official Statement, and authorizing staff to take such steps as are necessary to complete the financing.

The actions required by each of the entities are summarized as follows:

1) The City Council, as the "legislative body" is required under the Health and Safety Code to approve any debt issued by the Agency. The City Council's role in this financing is to approve the issuance of the Bonds. The City will not be a party to any of the agreements, nor will the City be bound in any way to repay the Bonds.

2) The Redevelopment Agency is the public entity obligated to repay the bonds from tax increment, and its resolution incorporates approval of all the documents needed to cause the Bonds to be sold and issued. Those documents include: a) the Official Statement, which summarizes the Agency, its tax increment history and projections, the Project Area, the Bonds, and the City of Hayward; b) the Indenture of Trust, under which the Bonds are issued, which contains all the terms of the Bonds, the pledge of security for the Bonds, and the terms of redemption; c) the Escrow Agreement for the 1996 Bonds being refunded; and d) the execution of professional services contracts with the consultants selected by the Agency to work on this transaction.

THE REDEVELOPMENT AGENCY

Members, Authority and Personnel

The Redevelopment Agency was established pursuant to the Law, and was activated in 1969. The Redevelopment Agency adopted the redevelopment plan for the Downtown Hayward Redevelopment Project in 1975. The Project Area is the only project area of the Redevelopment Agency.

Members of the City Council of the City serve as members of the Redevelopment Agency. The City Council members are elected at large for four-year overlapping terms. The current members of the Redevelopment Agency are set forth on the inside cover page of this Official Statement.

Jesús Armas is the Executive Director of the Redevelopment Agency, a position he has held since February, 1992. Mr. Armas is also the City Manager of the City.

Perry Carter is the Treasurer of the Redevelopment Agency as well as the City Finance Director/Acting Assistant City Manager.

The Redevelopment Agency is administered by a staff selected from the employees of the City and is under the overall direction of Mr. Armas. Redevelopment Agency personnel are members of the City staff for purposes of funding retirement benefits.

Powers

All powers of the Redevelopment Agency are vested in its seven member Board. They are charged with the responsibility of eliminating blight through the process of redevelopment. Generally, this process culminates when the Redevelopment Agency disposes of land for development by the private sector. In order to accomplish this, the Redevelopment Agency has broad authority to acquire, develop, administer, sell or lease property, including the right of eminent domain and the authority to issue bonds and expend their proceeds.

Prior to disposing of land for redevelopment, the Redevelopment Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses. In addition, the Agency may demolish deteriorated improvements, undertake environmental mitigation, grade and prepare sites for purchase, and in connection with any development can cause streets, highways and sidewalks to be constructed or reconstructed and public utilities to be installed.

Redevelopment in the State of California is carried out pursuant to the Community Redevelopment Law (Section 33000 *et seq.* of the Health and Safety Code). Section 33020 of the 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 Redevelopment Agency may, out of the funds available to it for such purposes, pay for all or part of the value of the land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the project area and no other reasonable means of financing is available.

The Redevelopment 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.

In accordance with these criteria the Redevelopment Agency has adopted a Redevelopment Plan, as amended, in the Project Area that authorize the use of the redevelopment process and procedures.

Redevelopment Agency Finances

The accounts of the Redevelopment Agency are organized on the basis of funds and account groups. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The audited financial statements of the Redevelopment Agency for the Fiscal Year ending June 30, 2003 are set forth in APPENDIX B.

THE PROJECT AREA

General

The Hayward Redevelopment Project Area (the "Project Area") includes the City's commercial center, which contains over 500 businesses. Amendments in 1987, 1998 and 2001 added 17, 370 and 738 additional acres, respectively, to the original approximately 223-acre Project Area, for an aggregate total of approximately 1,348 acres. The Project Area also contains several governmental and cultural facilities, including Centennial Hall (a multipurpose conference center), the main library, the Hayward Little Theater, Japanese Gardens, and several parks. B Street, provides a focus for retail activities in the historic center of downtown.

The downtown area is conveniently accessible to major residential and major employment centers in the region via several freeways, including State Route 92 and Interstate highways I-580 and I-880. The downtown Hayward Bay Area Rapid Transit System (BART) station, which is on the San Francisco-Fremont Line, serves as a hub for additional public transportation, including bus connections via Alameda-Contra Costa Transit District ("AC Transit") and San Mateo Transit District ("SamTrans"). In addition, the downtown area is served by the Amtrak-Capitol Corridor line that extends from San Jose to Sacramento.

Redevelopment Plan

General. The Project Area is comprised of the original approximately 223 acres (the "Original Area") and three expansion areas: the 1987 Annex, the Burbank/Cannery Subarea and the Mission-Foothill Subarea. These three Expansion Areas comprise approximately 1,125 acres. See also "--Status of Development."

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Redevelopment Plan Limits. Table 1 summarized the Redevelopment Plan Limits for the Original Area and the three Expansion Areas.

Table 1
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Summary of Redevelopment Plan Limit Amendments

<u>Area</u>	<u>Area Size (acres)</u>	<u>Base Year</u>	<u>Plan Limit Termination</u>			<u>Revenue Limits (\$ in thousands)</u>	
			<u>Debt Incurrence</u>	<u>Plan Expiration</u>	<u>Debt Repayment</u>	<u>Total Tax Increment</u>	<u>Amount Received⁽¹⁾</u>
Original	223	1975-76	01/01/14	12/30/16	12/30/26	\$150,000	\$42,877
1987 Annex	17	1987-88	04/21/17	12/30/21	12/30/26	20,000	⁽²⁾
Burbank/Cannery	370	1988-89	11/10/18	11/10/29	11/10/44	None	2,090
Mission/Foothill	<u>738</u>	2000-01	10/25/21	06/25/32	06/25/47	<u>None</u>	<u>658</u>
TOTAL	1,348					\$300,000	\$45,625

(1) As of _____, 2004.

(2) Represents the aggregate tax increment received for the Original Area and the 1987 Annex. The County does not maintain separate receipt information for the Original Area and the 1987 Annex.

Source: *Redevelopment Agency*.

Status of Development

Original Area. The Original Area encompasses 223 acres of residential civic and commercial uses. The following is a description of projects that have been developed or are in development within this area:

Albertson's/Sav-on Supermarket. In November 2001, construction was completed on this approximately 62,000 square foot food and drug supermarket. An additional approximately 18,000 square feet of retail space is located on the corner of A Street and Mission Boulevard and on B Street. This supermarket is located within walking distance of the City Walk and Atherton Place Townhome communities and the Pinnacle City Centre and Amador Village Condominiums.

Atherton Place Townhomes. This "row house" townhome community consists of 83-units and is bounded by C Street, D Street and Atherton Street. It was completed in 1997 as a public-private venture between the Redevelopment Agency and the Sares-Regis Group.

Cinema Place. This proposed development would include construction of a multi-screen movie theater and an approximately 55,000 square feet of additional retail space, and parking facilities as a public-private development by the Redevelopment Agency and Blake Hunt Ventures.

City Hall. This approximately 100,000 square foot four-story building was completed in January 1998. This City Center complex consolidated all operations of the City into one building and replaces the replaced the historic original City Hall that was constructed in 1930.

City Hall Public Parking Structure. In 1998, the Redevelopment Agency completed the construction of the 320-stall, two-level parking structure located between Mission Boulevard and Watkins Street and approximately 13,000 square feet of additional retail space. The parking was built to accommodate customers of the B Street Marketplace, City Hall and City employees. A

portion of the proceeds of the Series 2004 Bonds may be used to finance the construction of a third level to this parking structure.

City Walk Townhomes. Construction of this 77-unit "row house" townhome community located at the corner of C Street and Watkins Street, was completed in 2003 and all of the units are occupied. This public-private development by the Redevelopment Agency and The Olson Company and features two and three-bedroom residential units within walking distance of the Hayward BART station and the downtown.

Downtown Façade Rebate and Small Business Revolving Loan Program. This program, funded by the City's federal block grant program, is part of a comprehensive approach to revitalize the downtown area by providing rebates to business owners to upgrade the appearance of building facades. The Façade Rebate program has provided grants for 18 completed projects as of July 2004. In addition, loans are available to existing businesses that expand their operations within the Project Area and generate jobs for low- and moderate-income residents.

Downtown Sidewalk Rehabilitation Project. This two-phase project consists of the rebuilding and replacement of downtown sidewalks, the installation of street furniture, and other design improvement to encourage pedestrian travel, was completed in late 2003.

Giuliani Plaza. This park was created in 1999 and is located on Mission Boulevard. It was designed to recreate the original setting around the City's historic City Hall.

Newman Park. This pocket park is located in the middle of downtown at the corner of Mission Boulevard and B Street. Construction was completed in 1999 as the result of a cooperative effort between the City, the Redevelopment Agency, the Hayward Rotary and individual and corporate contributions.

The 1987 Annex. This area consists of approximately 17 acres.

Renaissance Walk Condominiums. The construction of 46 loft-style condominiums as a public-private development by the Redevelopment Agency and The Olson Company is under construction. Occupancy in 22 of the units will be restricted by income, while the remaining 24 units will be sold at market rates. This development is expected to be completed and sold by December 2004.

The Burbank/Cannery Subarea. This area consists approximately 370 acres and includes the former Hunt-Wesson Food cannery, which ceased operations in 2001 and the Owens Brockway Glass Container Inc. property which, closed its manufacturing facility in November 2003. . The focus of the plan for this expansion area is the redevelopment of approximately 55 acres of the former cannery property which will include at least 700 housing units. A portion of the proceeds of the Series 2004 Bonds are expected to be used to finance the costs of the joint development by the Redevelopment Agency and the Hayward Unified School District of a new K-6 elementary school to replace the Burbank School; the costs of development by the Redevelopment Agency and the Hayward Area Recreation District of an approximately 14 acre joint-facility park with play fields adjacent to the new school; and associated street, water and sewer improvements.

Other projects planned for this expansion area include the development of streets and parking improvements, a railroad pedestrian bridge and additional open space.

The Mission/Foothill Subarea. This area consists of three non-contiguous areas of approximately 738 acres. This plan, adopted in 2001 proposed revitalization strategies for selected older neighborhoods,

rehabilitation and development of transit-oriented housing in the vicinity of the South Hayward BART Station; establishment of a streetscape program; and the revitalization of the Mission Boulevard Commercial Corridor.

The Redevelopment Agency assisted Sonic Automotive in gaining site control and relocating pre-existing tenants to develop an approximately 8,000 square foot Honda dealership along the historic auto row on the corner of Mission Boulevard and Orchard Avenue. This project is under construction and expected to be completed by June 2004.

Recent Development

In addition to the development projects directly sponsored by the Redevelopment Agency and described above, there have been a number of private projects developed including:

Amador Village Condominiums. This 155-unit residential rental condominium development in the Burbank/Cannery Subarea was completed in 2000. It is located on Amador Village off of D Street and is within walking distance of the Hayward BART Station. This development features a business center, pre-wired internet access within each unit, a pool and a spa.

Grand Terrace Townhomes. This two-phase, "row house" townhome community within walking distance of the Hayward BART station, City Hall the Albertson's/Sav-on supermarket and the historic downtown shopping district is located in the Burbank/Cannery Subarea and is being developed by the Pulte Company. The first phase of 161 units is substantially complete and is expected to be completed and sold by June 2004. Construction of phase two of this development, consisting of 74 units, commenced in January 2004 and is expected to be substantially complete and sold in December 2004.

Pinnacle City Centre. This 192-unit condominium development located in the Burbank/Cannery Subarea at the corner of C and Grand Streets was completed in 1999. It is located approximately two blocks from the Hayward BART station and within walking distance of downtown. This development features a business center, pre-wired internet access within each unit, exercise facilities and a pool.

Studio Walk Lofts. The development of 70 loft-style condominium units by Ryland Homes in the 1987 Annex is under construction. This project, consisting of a three-story building located on Atherton Street, will offer balconies and roof-top gardens. Construction of this development is expected to be completed in December 2004.

Hayward Volkswagen. The construction of an approximately 22,000 square foot Volkswagen dealership was recently completed in 2004 by a private developer in the Mission/Foothill Subarea.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for the Project Area sets forth the principal land uses permitted and the building restrictions to be imposed in project development. It also assigns the Redevelopment Agency and the City their respective responsibilities in carrying out the Redevelopment Plan. Provision is made for rehabilitation as well as new construction and sets forth conditions and procedures required under both approaches. Construction is required to comply with all applicable State and local laws in effect, including without limitation, Building, Electrical, Heating and Ventilating, Housing and Plumbing Codes of the City.

The information in Table 2 is based on land use designations as provided by Alameda County through tax roll data, however, County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories.

Table 2
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Land Uses by Category

<u>Land Use</u>	<u>Number of Parcels</u>	<u>2003-04 Assessed Value</u>	
		<u>Amount</u>	<u>Percent</u>
Residential	2,114	\$529,369,498	46.40%
Commercial	559	415,647,153	36.43
Industrial	62	94,316,729	8.27
Recreational	5	4,924,004	0.43
Institutional	23	4,820,207	0.42
Vacant	292	30,667,966	2.69
Exempt	<u>310</u>	<u>0</u>	<u>0.00</u>
SUBTOTAL	3,365	1,079,745,557	94.64
SBE Non-Unitary	20	904,694	0.08
Unsecured	<u>762</u>	<u>60,284,004</u>	<u>5.28</u>
TOTAL	4,147	\$1,140,934,255	100.00%

Source: *Alameda County*.

Historical, Current and Projected Tax Revenues

The Redevelopment Agency's primary source of funds to make payments of principal of, premium, if any, and interest on the Series 2004 Bonds is the Redevelopment Agency's share of *ad valorem* property tax revenues which generally result from the completion of new real estate developments and a general reassessment of properties within the Project Area.

The purpose of redevelopment is to revitalize deteriorated or underdeveloped areas within a community. As new construction progresses, property values normally increase and the ultimate result is a proportionate increase in *ad valorem* property tax revenues.

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area establishes a base from which increases in taxable value are computed. The base so established for the Original Area is the 1975-76 assessment roll; for the 1987 Annex, the 1987-88 assessment roll; for the Burbank/Cannery Subarea, the 1998-99 assessment roll; and for the Mission/Foothill Subarea, the 2000-01 assessment roll. When assessment rolls were converted in the State to reflect full value assessments, the base for the Project Area was also converted and is now actually maintained in the 1982-83 assessment roll of the County. Under the Law, property taxes levied based upon the amount shown on the base year assessment rolls will continue to be paid to and retained by all taxing agencies levying property taxes in the Project Area. Taxes levied by the respective taxing agencies on any increases in taxable value realized in the Project Area will be allocated to the Redevelopment Agency.

It should be understood that this procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year shall be apportioned to the taxing agencies levying the taxes and to the Redevelopment Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Redevelopment Agency in connection with the Project Area have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner. See also "CERTAIN RISKS TO BONDHOLDERS—Reduction in Taxable Values."

Table 3 presents the taxable value of all property within the Project Area for Fiscal Years ended June 30, 2000 through June 30, 2004.

**Table 3
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Historical and Current Values**

	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>
Secured:⁽¹⁾					
Land	\$60,739,110	\$62,200,834	\$313,040,246	\$788,648,659	\$369,403,964
Improvements	146,837,874	154,298,009	172,501,906	194,966,852	713,740,318
Personal Property	15,696,436	15,988,860	11,234,131	14,149,805	27,566,860
Exemptions	<u>(2,941,257)</u>	<u>(3,078,304)</u>	<u>(3,055,882)</u>	<u>(3,114,891)</u>	<u>(30,060,891)</u>
Subtotal Secured	220,332,163	229,409,399	493,720,401	994,650,425	1,080,650,251
Unsecured:					
Land	\$8,266,419	\$8,445,980	\$9,220,784	\$9,721,773	\$10,707,884
Improvements	5,270,636	5,453,142	5,863,879	6,602,941	17,535,810
Personal Property	10,792,247	15,635,018	16,005,581	36,681,657	32,528,843
Exemptions	<u>(124,972)</u>	<u>(293,251)</u>	<u>(261,198)</u>	<u>(295,767)</u>	<u>(488,533)</u>
Subtotal Unsecured	\$24,204,330	\$29,240,889	\$30,829,046	\$52,710,604	\$60,284,004
TOTAL	<u>\$244,536,493</u>	<u>\$258,650,288</u>	<u>\$524,549,447</u>	<u>\$1,047,361,029</u>	<u>\$1,140,934,255</u>
Base Year Value					
Secured	\$45,183,394	\$196,205,275	\$583,668,898		
Unsecured	<u>9,848,443</u>	<u>20,732,856</u>	<u>39,261,517</u>		
TOTAL BASE YEAR VALUE	\$55,031,837	\$216,938,131⁽²⁾	\$622,930,415⁽³⁾	\$622,930,415	\$622,930,415
Incremental Value	\$189,504,656	\$203,618,451	\$307,611,316	\$424,430,614	\$518,003,840

(1) Secured values include state assessed non-unitary utility project
(2) Revised to add the current and base year values of the Burbank/Cannery Subarea.
(3) Revised to add the current and base year values of the Foothill-Mission Subarea.
Source: Alameda County.

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Table 4 summarizes historical and current Tax Revenues received by the Downtown Hayward Redevelopment Project Area based on fiscal years ending June 30, 1999, through June 30, 2003. To date, the County has paid to the Redevelopment Agency the full amount of Tax Revenues expected to be received by the Redevelopment Agency, without regard to delinquencies in tax collection. Table 5 presents projected Tax Revenues for Fiscal Years 2004-05 through 2012-13.

Table 4
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Tax Revenues Received

	<u>1990-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04†</u>
Taxable Values					
Real Property	\$218,172,782	\$227,319,661	\$497,570,933	\$996,825,334	\$1,081,327,085
Personal Property	<u>26,363,711</u>	<u>31,330,627</u>	<u>26,978,514</u>	<u>50,535,695</u>	<u>59,607,170</u>
Total Projected Value	244,536,493	258,650,288	524,549,447	1,047,361,029	1,140,934,255
Base Year Value	(55,031,837)	(55,031,837)	(216,938,131)	(622,930,415)	(622,930,415)
Taxable Value over Base	189,504,656	203,618,451	307,611,316	424,430,614	518,003,840
Gross Tax Increment Revenue	1,976,915	2,156,859	3,305,578	4,659,674	5,209,733
Unitary Tax Revenue	<u>465,180</u>	<u>454,831</u>	<u>453,949</u>	<u>504,765</u>	<u>504,765</u>
Gross Revenues	2,442,095	2,611,690	3,759,526	5,164,439	5,714,498
Base Year Adjustments					
Hayward Area Recreation and Parks	(1,198)	(1,310)	(1,425)	(1,542)	(1,662)
Alameda County Mosquito Abatement	(17)	(18)	(20)	(21)	(23)
Hayward Unified School District	0	0	0	(3,100)	(3,341)
Chabot-Las Positas Community College District	<u>0</u>	<u>0</u>	<u>0</u>	<u>(367)</u>	<u>(417)</u>
Adjusted Gross Revenues	2,440,880	2,610,362	3,758,081	5,159,409	5,709,055
Less:					
SB 2557 Admin. Fee	(27,195)	(26,198)	(37,997)	(59,551)	(71,431)
Housing Set Aside Requirement ⁽⁸⁾	(488,176)	(522,072)	(751,616)	(1,031,882)	(1,141,811)
Statutory Tax Sharing Payments					
Tier 1 Passthrough to All Taxing Entities	0	0	(115,552)	(228,138)	(374,182)
Tier 2 Passthrough to All Taxing Entities	0	0	0	0	0
Tier 3 Passthrough to All Taxing Entities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	\$1,925,509	\$2,062,092	\$2,852,915	\$3,839,838	\$4,124,631

† Assessed values are based on actual data, all remaining information is projected.

Source: Alameda County, Auditor-Controller and HdL Coren & Cone.

Table 5
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Projection of Incremental Taxable Value and Tax Increment Revenue
(\$ in 000's)

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Taxable Values⁽¹⁾									
Real Property ⁽²⁾	1,159,210	1,268,909	1,294,288	1,320,173	1,346,577	1,373,508	1,400,978	1,428,998	1,457,578
Personal Property ⁽³⁾	<u>59,607</u>								
Total Projected Value	1,218,817	1,328,516	1,353,895	1,379,780	1,406,184	1,433,115	1,460,586	1,488,605	1,517,185
Taxable Value over Base	595,887	705,586	730,964	756,850	783,253	810,185	837,655	865,675	894,255
Gross Tax Increment Revenue⁽⁴⁾	5,993	7,096	7,351	7,612	7,877	8,148	8,424	8,706	8,994
Unitary Tax Revenue	<u>505</u>								
Gross Revenues	6,498	7,601	7,856	8,116	8,382	8,653	8,929	9,211	9,498
Base Year Adjustments									
Alameda County General Fund ⁽⁵⁾	(3)	(4)	(4)	(4)	(4)	(5)	(5)	(5)	(5)
Alameda County Flood Control District ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Bay Area Rapid Transit ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Hayward Area Recreation and Parks ⁽⁵⁾	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(2)	(2)
Alameda County Mosquito Abatement ⁽⁵⁾	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Hayward Unified School District ⁽⁶⁾	(4)	(4)	(4)	(5)	(5)	(5)	(5)	(6)	(6)
Chabot-Las Positas Community College District ⁽⁶⁾	<u>(0)</u>	<u>(1)</u>							
Adjusted Gross Revenues	6,489	7,591	7,846	8,106	8,371	8,641	8,917	9,198	9,484
LESS:									
SB 2557 Admin. Fee ⁽⁷⁾	(81)	(95)	(98)	(101)	(105)	(108)	(112)	(115)	(119)
Housing Set Aside Requirement ⁽⁸⁾	(1,298)	(1,518)	(1,569)	(1,621)	(1,674)	(1,728)	(1,783)	(1,840)	(1,897)
Statutory Pass Throughs									
Tier 1 Passthrough to All Taxing Entities ⁽⁹⁾	(585)	(720)	(816)	(870)	(925)	(981)	(1,038)	(1,096)	(1,155)
Tier 2 Passthrough to All Taxing Entities ⁽⁹⁾	0	0	0	0	0	0	0	(14)	(48)
Tier 3 Passthrough to All Taxing Entities ⁽⁹⁾	<u>0</u>								
Tax Revenues	4,525	5,258	5,362	5,513	5,667	5,823	5,983	6,133	6,266

(1) Taxable values as reported by Alameda County.

(2) Real property consists of land and improvements. Increased for new development and for inflation at 1.867% for 2004-05 and 2% annually thereafter. Values for 2004-05 are reduced by \$3,010,259 for projected reductions due to projected approval of 20 pending assessment appeals.

(3) Personal property is held constant at 2003-04 level.

(4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters prior to 1988. The future tax rate is assumed to remain at \$1,0057 per \$100 of taxable assessed value.

(5) Alameda County General Fund (17.50%) Alameda County Flood Control District (0.124%), Bay Area Rapid Transit District (0.606%), Hayward Area Recreation and Parks District (5.351%) and Alameda County Mosquito Abatement District (0.085%) adopted resolutions pursuant to Section 33676 of the Law opting to receive their shares of inflationary growth base year real property value. Under such Section these payments are considered adjusted base year revenue amounts and are not considered tax increment for purposes of calculating the Housing Set-Aside requirement. These Base Year Adjustments apply only to the 1987 Annex portion of the Project Area.

(Table 5 footnotes continued on next page)

(Table 5 footnotes continued)

- (6) Hayward Unified School District, Chabot-Las Positas Community College District and the Alameda County Superintendent of Schools did not adopt resolutions under Section 33676 of the Law at the time the Project Area was adopted, however, under a judicial ruling from Orange County, it has been determined that school districts and college districts that do not have tax sharing agreements may at any time adopt the appropriate resolutions and elect to receive their shares of revenue from inflationary growth on base year real property value in the same manner as described in footnote 5 above. For purposes of this projection we have assumed that all eligible school districts will make such an election. These Base Year Adjustments apply only to the 1987 Annex portion of the Project Area.
- (7) County Administration charges are estimated at 1.25% of Gross Revenue.
- (8) Housing Set Aside calculated at 20% of Adjusted Gross Revenue.
- (9) The last day to incur new debt in the Original Area was established as January 1, 2004 pursuant to the Law. This limit was changed to January 1, 2014 pursuant to Ordinance No. 98-19. The extension of this limit triggers the initiation of statutory tax sharing payments. On January 1, 2004 the Original Project Area time limit to incur new debt will be exceeded. Beginning in Fiscal Year 2004-05 and using the Fiscal Year 2003-04 Project Area value as the base level of value, Taxing Entities will begin to receive their shares of 25% of total tax increment revenue net of housing-set-aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing-set-aside. The City is considered a taxing entity and may opt to receive its share of the first tier of this pass through amount. On April 21, 2007 the Burbank/Cannery Subarea time limit to incur new debt will be exceeded. Beginning in Fiscal Year 2007-08 and using the 2006-07 Project Area value as the base level of value, Taxing Entities will begin to receive their shares of 25% of total tax increment revenue net of housing-set-aside. In addition, after year 10 Taxing Entities receive 21% of tax revenue on incremental value above the year 10 year value net of housing-set-aside. The City is considered a taxing entity and may opt to receive its share of the first tier of this pass through amount. On April 21, 2007 the Burbank/Cannery Subarea time limit to incur new debt will be exceeded. Beginning in Fiscal Year 2007-08 and using the Fiscal Year 2006-07 Project Area Value, Taxing Entities will begin to receive their shares of 25% of total tax increment revenue net of housing-set-aside. In addition, after year 10, Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of house-set-aside. A third tier of tax sharing payments will not be triggered before the Original Area or the 1987 Annex exhaust their ability to receive tax increment revenue. The City is considered a tax entity and may opt to receive its share of the Tier 1 tax sharing amount. Within the Burbank/Cannery Subarea and the Mission/Foothill Subarea the same formula is followed, however, tax sharing payments are initiated in the first year these portion of the Project Area receive tax revenue. In addition to the first two tiers of tax sharing payments, a third tier is initiated after year 30. Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing-set-aside. As with the other portions of the Project Area, the City is considered a taxing entity and may elect to receive its share of the first tier of tax sharing payments. The City has elected to receive its share of the tier one statutory tax sharing amounts from the Burbank/Cannery Subarea beginning Fiscal Year 2004-05. The City has elected to receive its share of tier one tax sharing payments from Mission/Foothill Subarea beginning in Fiscal Year 2006-07.

Source: *Alameda County, Auditor-Controller with respect to Fiscal Year 2004-05 and Hdl Coren & Cone with respect to Fiscal Years 2005-06 through 2012-13.*

Debt Service Coverage Projections

**Table 6
 Redevelopment Agency of the City of Hayward
 Downtown Hayward Redevelopment Project Area
 Debt Service Coverage Projections**

The following Table 6 shows scheduled debt service on the Series 2004 Bonds, without regard to any optional redemption and estimated coverage. See "DEBT SERVICE SCHEDULE" for the scheduled semiannual debt service on the Series 2004 Bonds.

Fiscal Year	Ending June 30	Projected Net Tax Revenues ⁽¹⁾	Total Debt Service	Bond Year Debt Service	Estimated Coverage ⁽³⁾
	2005				
	2006				
	2007				
	2008				
	2009				
	2010				
	2011				
	2012				
	2013				
	2014				
	2015				
	2016				
	2017				
	2018				
	2019				
	2020				
	2021				
	2022				
	2023				
	2024				
	2025				
	2026				
	2027				
	2028				
	2029				
	2030				
	2031				
	2032				
	2033				
	2034				
	TOTAL				

⁽¹⁾ Net Tax Revenue is net of the Housing Set-Aside, pass-throughs payments and County administrative fees, which are projected to equal 1.25% of annual gross Tax Revenues. This table assumes that property values in the Project Area will increase based upon new development within the Project Area (see "THE PROJECT AREA-Status of Development" and "-Recent Development" and for inflation at the rate of 1.867% for Fiscal Year 2004-05 and by 2% for each Fiscal Year thereafter.

⁽²⁾ Tax Revenues available for the Bonds divided by Bond Year Debt Service.

⁽³⁾ Calculated as Projected Net Tax Revenues divided by Bond Year Debt Service.

Source: *HdL Coren & Cone and RBC Dain Rauscher Inc.*

Principal Taxpayers

Table 7 lists the principal taxpayers and primary land use in the Project Area based on the Fiscal Year 2003-04 assessed valuation:

**Table 7
Redevelopment Agency of the City of Hayward
Downtown Hayward Redevelopment Project Area
Principal Taxpayers
Fiscal Year 2003-04**

Property Owner	Primary Land Use	Project Subarea	No. of Parcels	2003-04 Secured Value		2003-04 Unsecured Value		Total 2003-04 Unsecured Value	
				Amount	Percent	Amount	Percent	Amount	Percent
Mervyns ⁽¹⁾	Office Building	Original	1	\$41,081,871	3.80%	\$0	0.00%	\$41,081,871	3.60%
ASP Alameda LLC	Office Building	Burbank/Cannery	4	28,528,752	2.64	0	0.00	28,529,752	2.50
Sobrato Interest II ⁽¹⁾	Residential - Apartments	Burbank/Cannery	156	27,297,577	2.53	0	0.00	27,297,577	2.39
Meridian Apartments LLC	Residential - Apartments	Burbank/Cannery	3	24,438,116	2.26	0	0.00	24,438,116	2.14
City Center Commercial ⁽¹⁾	Office Building	Original	6	23,826,848	2.20	0	0.00	23,826,848	2.09
API Barrington Hills LLC ⁽¹⁾	Residential - Apartments	Mission/Foothill	1	22,730,199	2.10	0	0.00	22,730,199	1.99
Owens Brockway Glass Container ⁽²⁾	Industrial	Burbank/Cannery	2	21,863,749	2.02	0	0.00	21,863,749	1.92
Albertsons Inc.	Commercial	Original	2	17,723,933	1.64	0	0.00	17,723,933	1.55
Casa Sandoval LLC ⁽¹⁾	Residential - Apartments	Original	2	17,385,266	1.61	0	0.00	17,385,266	1.52
Principal Mutual Life Insurance Co. ⁽¹⁾	Industrial	Burbank/Cannery	2	16,206,765	1.50	0	0.00	16,206,765	1.42
TOTAL TOP TEN			179	241,081,076	22.31	0	0.00	241,084,255	21.13
Other Property Owners	Various		3,968	839,566,175	77.76	60,284,004	100.00	899,850,179	78.88
TOTAL			4,147	\$1,140,934,255	100.00%	\$60,284,004	100.00%	\$1,140,934,434	100.00%
Incremental Assessed Value				\$496,981,3535		\$21,022,487		\$518,003,840	

⁽¹⁾ Property owner has assessment appeal(s) pending on parcels within the Project Area.

⁽²⁾ Property owner closed its facility in November 2003. The projections of Incremental Taxable Value and Tax Increment Revenue in Table 5 anticipates the loss of \$16,248,231 in fixture and personal property value for Fiscal Year 2004-05.

Source: *Hdl Coren & Cone.*

Assessment Appeals

Property tax values determined by the County Assessor may be subject to an appeal by the property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. The reduction in future Project Area taxable values and the refund of taxes affects all taxing entities, including the Redevelopment Agency.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. A reduction in such taxable value would result in a reduction of the revenues of the Redevelopment Agency available for Tax Revenues with respect to the Series 2004 Bonds. Alternatively, an appeal may be withdrawn by the applicant or the Appeals Board may deny or modify the appeal at a hearing or by stipulation.

Between Fiscal Year 1997-98 through January 30, 2004 there have been 510 assessment appeals filed within the Project Area. Of the appeals filed, 29 were granted (representing 5.69% of filed assessment appeals) resulting in a reduction in value in the amount of \$ _____; 238 were denied (representing 46.66% of the filed assessment appeals) and 243 were pending (representing 47.65% of the filed assessment appeals). The pending appeals have a combined assessed value of \$245,786,052 under appeal and include assessment appeals of value for Fiscal Years 2000-01 through 2003-04. Within the Project Area, it is unclear exactly how much of this value is at risk because many of the owners have not stated owner opinions of value. However, of the appeals that have been granted, the average reduction in value within the Original Area was 6.33%, within the Burbank/Cannery Subarea was 20.25% and within the Mission/Foothill Subarea was 8.79%.

Of the 10 principal taxpayers shown in Table 7, three (Sobrato Interest II ("Sobrato"), City Center Commercial ("City Center") and API Barrington Hills LLC ("API")) had appeals outstanding and unresolved with the County Assessor as of January 30, 2004. Sobrato owns property within the Burbank/Cannery Subarea and has assessment appeals pending on all 156 of its parcels for Fiscal Year 2003-04 seeking an undisclosed reduction of the assessed values for these rented condominium parcels under Proposition 8. Sobrato filed similar assessment appeals for Fiscal Year 2002-03 on these properties and each was denied by the Appeals Board. City Center, through its tenants, Safeway Stores and Longs Drugs, has appeals pending on two of its six parcels for Fiscal Year 2001-02 and Fiscal Year 2002-03 within the Original Area. API has filed appeals seeking reductions totaling \$5,084,020 (23.02%) for Fiscal Year 2002-03 and \$3,525,700 (15.65%) for Fiscal Year 2003-04 for its properties within the Mission/Foothill Subarea.

Principal Mutual Life Insurance Company filed Fiscal Year 2003-04 assessment appeals on its two parcels within the Burbank/Cannery Subarea seeking reductions of \$2,156,919 (16.8%) on one parcel and \$181,656 (5.4%) on the other however, both appeals were denied.

Table 8 lists the principal secured taxpayers (see Table 5 above) who have filed such appeals, the assessed value, the reduction requested and the status of the appeal.

Table 8
Redevelopment Agency of the City Of Hayward
Downtown Hayward Redevelopment Project Area
Outstanding Appeals by the Principal Locally Secured Taxpayers
As of January 30, 2004

Property Owner	Number of Parcels		Fiscal Year	Fiscal Year	Total	Appeal
	Owned	Appealed	2002-03 Assessed Valuation	Appeal Valuation Request	Reduction Requested	Status
Sobrato Interest II	156†	156	\$27,297,577	2002-03	Undisclosed	Pending
City Center Commercial	6	2	23,826,846	2001-02 and 2002-03	Undisclosed	Pending
Principal Mutual Life Insurance	<u>2</u>	<u>2</u>	16,206,765	2003-04	2,338,575	Pending
TOTAL	164	160				

† Sobrato Interest II is the owner of a residential apartment complex located in the Burbank/Cannery Subarea.
Source: *Alameda County Assessor*.

Tax Levies, Collections and Delinquencies

The County does not track secured tax charges and delinquencies by project area.

The County has 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 State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the county would receive and retain delinquent payments, penalties and interest as collected, that would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county.

The City is not currently a participant in the Teeter Plan. However, tax increment revenue disbursements from the County to the Redevelopment Agency occur in a manner similar to the Teeter Plan. See, "TAX ALLOCATION FINANCING—Property Tax Collection Procedures."

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
HAYWARD APPROVING THE ISSUANCE OF TAX
ALLOCATION BONDS BY THE REDEVELOPMENT
AGENCY OF THE CITY OF HAYWARD to REFUND 1996
BONDS AND FINANCE REDEVELOPMENT ACTIVITIES

WHEREAS, the Redevelopment Agency of the City of Hayward (the "Agency") is authorized by Part 1 of Division 24 of the Health and Safety Code of the State of California, as amended (the "Redevelopment Law"), and particularly Chapter 6 thereof, to issue and sell tax allocation bonds for any of its corporate purposes; and

WHEREAS, the Agency issued its \$6,195,000 Downtown Hayward Redevelopment Project 1996 Tax Allocation Refunding Bonds (the "1996 Bonds") on February 20, 1996 pursuant to an Indenture of Trust, dated as of February 1, 1996, between the Agency and First Trust Washington (the "1996 Indenture"); and

WHEREAS, interest rates have declined since the 1996 Bonds were issued, and the Agency will realize savings if the 1996 Bonds are refunded; and

WHEREAS, the Agency wishes to issue and sell tax allocation bonds, aggregating not to exceed \$48,500,000 principal amount (the "Series 2004 Bonds") under the Redevelopment Law secured by a pledge of tax increment revenues allocated to the Agency under and pursuant to the Redevelopment Law, to refund the 1996 Bonds, to finance redevelopment activities in the City of Hayward (the "City"), and more particularly located in or of benefit to the Downtown Hayward Redevelopment Project, to fund a reserve fund for the Series 2004 Bonds, and to pay the costs of issuing the Series 2004 Bonds; and

WHEREAS, the Redevelopment Law requires that the City Council approve the issuance of the Series 2004 Bonds by reason of the pledge of said tax increment revenues as security for the payment of the Series 2004 Bonds; and

WHEREAS, it is in the public interest, for the public benefit and in furtherance of the public purpose of the City that the City approve the issuance of the Series 2004 Bonds by the Agency for the aforesaid purposes.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward as follows:

Section 1. The City Council of the City of Hayward hereby approves the issuance of the Series 2004 Bonds by the Agency under the Redevelopment Law for the purpose of: refunding the Agency's 1996 Bonds; financing the Agency's redevelopment activities; funding a reserve fund for the Series 2004 Bonds; and funding the costs of issuing the Series 2004 Bonds.

Section 2. This Resolution shall take effect immediately upon its adoption.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2004

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney for the City of Hayward

DRAFT ✓

REDEVELOPMENT AGENCY

RESOLUTION NO. _____

Introduced by Agency Member _____

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF
THE CITY OF HAYWARD AUTHORIZING THE
ISSUANCE, SALE AND DELIVERY OF TAX ALLOCATION
BONDS, AUTHORIZING THE EXECUTION AND
DELIVERY OF RELATED DOCUMENTS, AND
APPROVING ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Redevelopment Agency of the City of Hayward (the "Agency") has adopted the redevelopment plan (the "Redevelopment Plan") for the Downtown Hayward Redevelopment Project (the "Redevelopment Project") under Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"); and

WHEREAS, the Redevelopment Law, and particularly Chapter 6 thereof, authorizes redevelopment agencies to incur indebtedness for any of their corporate purposes; and

WHEREAS, the Agency issued its \$6,195,000 Downtown Hayward Redevelopment Project 1996 Tax Allocation Refunding Bonds, of which \$4,155,000 is currently outstanding (the "1996 Bonds") on February 20, 1996 pursuant to an Indenture of Trust, dated as of February 1, 1996, between the Agency and First Trust Washington (the "1996 Indenture"); and

WHEREAS, interest rates have declined since the 1996 Bonds were issued, and the Agency will realize savings if the 1996 Bonds are refunded; and

WHEREAS, in order to refund the 1996 Bonds and finance various redevelopment projects (the "Project") in the Downtown Hayward Redevelopment Project Area, the Agency wishes at this time to issue its not-to-exceed \$48,500,000 aggregate principal amount of Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2004 (the "Series 2004 Bonds"), pursuant to that certain Indenture of Trust, dated as of May 1, 2004, between Wells Fargo Bank, National Association (the "Trustee") and the Agency (the "Indenture");

WHEREAS, Lofton & Jennings, as disclosure counsel to the Agency, has caused to be prepared a form of the Official Statement for the Series 2004 Bonds (the "Official Statement"), the form of which is on file with the Secretary; and

WHEREAS, the Agency, with the aid of its staff, has reviewed the Official Statement, and the Agency wishes at this time to approve the Official Statement, the Indenture, and other necessary documents; and

WHEREAS, all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds as contemplated by this resolution and the documents referred to herein exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Redevelopment Law.

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of Hayward as follows:

1. Recitals True and Correct. The Agency hereby finds and declares that the above recitals are true and correct.

2. Approval of Issuance of Series 2004 Bonds. Pursuant to the Redevelopment Law and the Indenture, bonds of the Agency, designated as "Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project Tax Allocation Bonds, Series 2004" in an aggregate principal amount not to exceed \$48,500,000 (the "Series 2004 Bonds") are hereby authorized to be issued. The Series 2004 Bonds, in the form set forth in and otherwise in accordance with the Indenture, shall be executed by the manual or facsimile signature of the Executive Director, and attested by the manual or facsimile signature of the Secretary, and authenticated by the Trustee.

3. Approval of Indenture of Trust. The Indenture of Trust, pursuant to which the Series 2004 Bonds are to be issued, between the Agency and the Trustee, in the form presented to this meeting, is hereby approved. The Chairperson, the Executive Director and the Treasurer (the "Designated Officers") are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Indenture, and the Secretary is hereby authorized and directed, for and in the name and on behalf of the Agency, to attest the Designated Officer's signature to the Indenture, in said form, together with such additions thereto or changes therein as are recommended or approved by the Designated Officer, upon consultation with bond counsel to the Agency, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof; provided that no additions or changes shall authorize an aggregate principal amount of Series 2004 Bonds in excess of \$48,500,000, or result in a true interest cost on the Series 2004 Bonds in excess of 5.5% per annum. The approval of such additions or changes shall be conclusively evidenced by the execution and delivery by the Agency of the Indenture. The date, maturity dates, aggregate principal amount, annual maturity amounts, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Series 2004 Bonds shall be as provided in the Indenture as finally executed. The Designated Officers are also specifically authorized to approve amendments to the Indenture regarding the requirements contained therein for the issuance of additional bonds and other terms which may be required

by the rating agency or rating agencies being requested to assign a rating to the Series 2004 Bonds, as well as any municipal bond insurance company being asked to insure the Series 2004 Bonds.

4. Approval of Escrow Deposit and Trust Agreement. The Escrow Deposit and Trust Agreement, pursuant to which the 1996 Bonds are to be refunded, between the Agency and U.S. Bank National Association, in the form presented to this meeting, is hereby approved. The Designated Officers are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver the Escrow Deposit and Trust Agreement, and the Secretary is hereby authorized and directed, for and in the name and on behalf of the Agency, to attest the Designated Officer's signature to the Escrow Deposit and Trust Agreement, in said form, together with such additions thereto or changes therein as are recommended or approved by the Designated Officer, upon consultation with bond counsel to the Agency, including such additions or changes as are necessary or advisable in accordance with Section 8 hereof.

5. Sale of the Bonds. The Agency hereby approves the sale of the Bonds by negotiation with RBC Dain Rauscher, Inc. (the "Underwriter"). The Bond Purchase Agreement, by and among the Hayward Public Financing Authority (the "Authority"), the Underwriter and the Agency, pursuant to which the Agency agrees to sell the Bonds to the Authority, for re-sale to the Underwriter, and the Underwriter agrees to purchase the Bonds from the Authority, be and the same are hereby approved, and the Designated Officers are hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, so long as: the aggregate principal amount of the Series 2004 Bonds does not exceed \$48,500,000, so long as the true interest cost on the Series 2004 Bonds does not exceed 5.5% per annum, and so long as the Underwriter's discount (exclusive of original issue discount) on the Series 2004 Bonds does not exceed 1%.

6. Approval of Official Statement. The Official Statement, in the form presented to this meeting, is hereby approved. The Designated Officers are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Agency, to execute the Official Statement in said form, together with such additions thereto or changes therein as are recommended or approved by the Executive Director, upon consultation with disclosure counsel and bond counsel to the Agency, the approval of such additions or changes to be conclusively evidenced by the execution and delivery by the Agency of the Official Statement.

The Underwriter is hereby authorized and directed to distribute copies of the Official Statement to persons who express an interest in the purchase of the Series 2004 Bonds, and the Underwriter is directed to deliver such copies to all actual purchasers of the Bonds. The Underwriter is hereby authorized and directed to distribute copies of the preliminary official statement relating to the Series 2004 Bonds. The Designated Officers are, and each of them acting alone is, hereby authorized to execute a certificate to the effect that such preliminary official statement and the Official Statement, as of their respective dates, are deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as

amended.

7. Continuing Disclosure. The Agency represents that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the Series 2004 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof, the form of which is on file with the Executive Director.

8. Appointment of Bond Counsel, Disclosure Counsel and Financial Advisor. Jones Hall, a Professional Law Corporation, is hereby appointed bond counsel in connection with the issuance of the Bonds, and the Treasurer is hereby authorized to execute an agreement for legal services with Jones Hall, relating to the Bonds, in substantially the form presented at this meeting and on file with the Treasurer. Lofton & Jennings is hereby appointed as disclosure counsel to the Agency in connection with the sale of the Bonds, and the Treasurer is hereby authorized to execute an agreement for disclosure counsel services with Lofton & Jennings, in substantially the form on file with the Treasurer. CSG Advisors Incorporated is hereby appointed as financial advisor to the Agency in connection with the sale of the Bonds, and the Treasurer is hereby authorized to execute an agreement for financial advisory services with CSG Advisors Incorporated, in substantially the form on file with the Treasurer.

9. Official Action. All actions heretofore taken by the officers and agents of the Agency with respect to the preparation of the Official Statement and the Indenture, and the sale and issuance of the Series 2004 Bonds, are hereby approved, confirmed and ratified, and the proper officers of the Agency, including the Designated Officers, are hereby authorized and directed, for and in the name and on behalf of the Agency, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Series 2004 Bonds in accordance with this Resolution and resolutions heretofore adopted by the Agency, including but not limited to those certificates, agreements and other documents described in the Indenture and the other documents herein approved and any certificates, agreements or documents as may be necessary to further the purpose hereof or provide additional security for the Series 2004 Bonds, but which shall not create any obligation or liability of the Agency other than with respect to the tax revenues pledged as security for the Series 2004 Bonds in the Indenture and assets derived from the proceeds of the Series 2004 Bonds.

10. Effective Date. This resolution shall take effect immediately upon its adoption.

HAYWARD, CALIFORNIA _____, 2004

ADOPTED BY THE FOLLOWING VOTE:

AYES: AGENCY MEMBERS:
CHAIR:

NOES: AGENCY MEMBERS:

ABSTAIN: AGENCY MEMBERS;

ABSENT: AGENCY MEMBERS:

ATTEST: _____
Secretary of the Redevelopment Agency
of the City of Hayward

APPROVED AS TO FORM:

General Counsel

DRAFT NH
4/27/04

HAYWARD PUBLIC FINANCING AUTHORITY

RESOLUTION NO. ____

Introduced by Financing Authority Member _____

RESOLUTION OF THE HAYWARD PUBLIC FINANCING
AUTHORITY AUTHORIZING THE PURCHASE AND SALE
OF TAX ALLOCATION BONDS RELATING TO THE
DOWNTOWN HAYWARD REDEVELOPMENT PROJECT,
AND APPROVING RELATED DOCUMENTS

WHEREAS, the City of Hayward and the Redevelopment Agency of the City of Hayward (the "Agency") have heretofore entered into a Joint Exercise of Powers Agreement establishing the Hayward Public Financing Authority (the "Authority") for the purpose, among others, of purchasing bonds issued by the Agency for financing and refinancing public capital improvements, working capital, or projects whenever there are significant public benefits, as determined by the Agency, pursuant to the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

WHEREAS, pursuant to the Act, the Authority is further authorized to sell bonds so purchased to public or private purchasers at public or negotiated sale; and

WHEREAS, the Agency issued its \$6,195,000 Downtown Hayward Redevelopment Project 1996 Tax Allocation Refunding Bonds (the "1996 Bonds") on February 20, 1996 pursuant to an Indenture of Trust, dated as of February 1, 1996, between the Agency and First Trust Washington (the "1996 Indenture"); and

WHEREAS, interest rates have declined since the 1996 Bonds were issued, and the Agency will realize savings if the 1996 Bonds are refunded; and

WHEREAS, in order to refund the 1996 Bonds, finance various redevelopment projects (the "Project") in the Downtown Hayward Redevelopment Project Area, fund a reserve fund for the Series 2004 Bonds and pay the costs of issuing the Series 2004 Bonds (as herein defined), the Agency wishes at this time to issue its not-to-exceed \$48,500,000 aggregate principal amount of Redevelopment Agency of the City of Hayward Downtown Hayward Redevelopment Project 2004 Tax Allocation Bonds, Series 2004 (the "Series 2004 Bonds"), pursuant to that certain Indenture of Trust, dated as of May 1, 2004, between Wells Fargo Bank, National Association (the "Trustee") and the Agency (the "Indenture");

WHEREAS, the Board of Directors (the "Board") of the Authority has duly considered such transactions and wishes at this time to authorize proceedings for the purchase and sale of the Series 2004 Bonds in the public interests of the Authority;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Hayward Public Financing Authority as follows:

Section 1. Recitals True and Correct. The foregoing recitals are true and correct and this Authority so finds and determines.

Section 2. Sale of Series 2004 Bonds. The Authority hereby approves the purchase and sale of the Series 2004 Bonds by negotiation with the RBC Dain Rauscher, Inc. (the "Underwriter"). The Bond Purchase Agreement, by and among the Authority, the Underwriter and the Agency, pursuant to which the Agency agrees to sell the Series 2004 Bonds to the Authority, for re-sale to the Underwriter, and the Underwriter agrees to purchase the Series 2004 Bonds from the Authority, be and the same are hereby approved, and the Treasurer and the Executive Director are hereby separately authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, so long as: the aggregate principal amount of the Series 2004 Bonds does not exceed \$48,500,000, so long as the true interest cost on the Series 2004 Bonds does not exceed 5.5% per annum, and so long as the Underwriter's discount (exclusive of original issue discount) on the Series 2004 Bonds does not exceed 1%.

Section 3. Regular meetings. The Board hereby selects the first Tuesday following July 1 of each year, at the hour of 8:00 p.m., in the Council Chambers at Hayward City Hall, 777 B Street, Hayward, California 94541, or at such other time and place as the City Council shall hold its first regular meeting.

Section 4. Effective Date. This resolution shall take effect upon its adoption.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2004

ADOPTED BY THE FOLLOWING VOTE:

AYES: AUTHORITY MEMBERS:
CHAIR:

NOES: AUTHORITY MEMBERS:

ABSTAIN: AUTHORITY MEMBERS:

ABSENT: AUTHORITY MEMBERS:

ATTEST: _____
Secretary of the Financing Authority

APPROVED AS TO FORM:

General Counsel