



May 4, 2015

Mr. Juan Raigoza
Controller
Controller's Office
County of San Mateo
555 County Center, 4th Floor
Redwood City, California 94063

Re: Subordination Request Pursuant to Section 34177.5(c) of the California Health and Safety Code Relating to Proposed Bond Issue by the Successor Agency to the Redevelopment Agency of the City of San Mateo Pursuant to Section 34177.5(a)(1) of the California Health and Safety Code

Dear Mr. Raigoza:

I am writing to you on behalf of the Successor Agency to the Redevelopment Agency of the City of San Mateo (the "Agency") pursuant to Section 34177.5(c) of the California Health and Safety Code (the "Code"). Under Section 34177.5(c) of the Code, the Agency may, with a taxing entity's approval (which must be granted except as provided below), subordinate amounts payable from property tax revenue (formerly tax increment revenue) of a redevelopment project area that the Agency is required to pay such taxing entity pursuant to Section 34183(a)(1) of the Code (the "Statutory Pass-through Payments") to bonds or other indebtedness issued or incurred by the Agency pursuant to Section 34177.5(a) of the Code to achieve debt service savings by refinancing outstanding bonds.

At this time, the Agency is expecting to issue the following series of bonds by August 7, 2015 (the "2015 Bonds"):

(a) Successor Agency to the Redevelopment Agency of the City of San Mateo 2015 Subordinate Tax Allocation Refunding Bonds, Series A.

(b) Successor Agency to the Redevelopment Agency of the City of San Mateo 2015 Subordinate Tax Allocation Refunding Bonds, Taxable Series B.

The 2015 Bonds will result in a refinancing of outstanding bonds in the aggregate outstanding principal amount of \$42,340,000 (the "Outstanding Bonds").

Exhibit A

As permitted by Section 34177.5(g), the 2015 Bonds will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, including property tax revenues from the San Mateo City Downtown Redevelopment Project and San Mateo Shoreline Redevelopment Project (collectively, the "Project Areas"). By this letter, the Agency requests that the County of San Mateo (the "Taxing Entity") agree to the subordination of Statutory Pass-through Payments that the Agency is required to pay the Taxing Entity in connection with the Project Areas to the payment of debt service on the 2015 Bonds.

Enclosed for your review, pursuant to Section 34177.5(c)(2) of the Code, is a financial analysis prepared by the Agency's fiscal consultant for the 2015 Bonds, Urban Analytics LLC (the "Fiscal Consultant"), and its financial advisors for the 2015 Bonds, Kitahata & Company and William Euphrat Municipal Finance, Inc. (collectively, the "Financial Advisors"). The financial analysis shows the following:

- a projection of the property tax revenues that will be deposited in the Redevelopment Property Tax Trust Fund during the term of the 2015 Bonds, including property tax revenues from the Project Areas
- a comparison of debt service on the Outstanding Bonds and the projected debt service on the 2015 Bonds
- a debt service coverage analysis showing (i) the Agency's Statutory Pass-through Payments and (ii) projected debt service for the 2015 Bonds.

The Fiscal Consultant and Financial Advisors' analysis shows that the Agency can reasonably expect to have sufficient funds available to pay both the payments that are expected to be due for the 2015 Bonds and all of the Agency's Statutory Pass-through Payments owed to the various affected taxing entities for the Project Areas. In the event that the Agency does not have sufficient funds to make the required Statutory Pass-through Payments in a given year, the Agency's obligation to make such payments shall continue and shall be paid for from the first available property tax revenues of the Agency not pledged to the payment of debt service on the 2015 Bonds.

For the benefit of the Agency's records, please complete the attached Acknowledgement and return it in the self-addressed envelope no later than June 18, 2015, as the Agency is planning on selling the 2015 Bonds on or about August 4, 2015.

Please note that, in accordance with Section 34177.5(c)(3) of the Code, if the Taxing Entity does not respond to the requested subordination within forty-five (45) days of this letter, the subordination will be automatically deemed approved by the Taxing Entity and such approval shall be final and conclusive. Furthermore, to disapprove this subordination, the Taxing Entity must find, based upon substantial evidence, that the Agency will not be able to pay the payments due on the 2015 Bonds and the Statutory Pass-through Payments that it is required to pay the Taxing Entity.

Thank you in advance for your cooperation in this matter. If you have any questions regarding this matter, please do not hesitate to call the undersigned at (650) 522-7104.

Sincerely,

A handwritten signature in black ink, reading "Kathleen VonAchen". The signature is written in a cursive style with a horizontal line at the end.

Kathleen VonAchen,
Deputy Finance Director

Enclosures

cc:

David Culver, Finance Director (*via email*)
Shawn Mason, Esq., City Attorney (*via email*)
Christopher K. Lynch, Esq. (*via email*)

ACKNOWLEDGEMENT

In response to the request by the Successor Agency to the Redevelopment Agency of the City of San Mateo (the "Agency") set forth in a letter dated May 4, 2015 (the "Subordination Request"), to approve the Agency's subordination of Statutory Pass-through Payments, the County of San Mateo (the "Taxing Entity") hereby confirms its approval of the subordination of the Agency's obligations to pay Statutory Pass-through Payments to the Taxing Entity in connection with the Agency's payment obligations on the 2015 Bonds with respect to the Project Areas.

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

IN WITNESS WHEREOF, the undersigned has caused this Acknowledgement to be signed by its authorized representative on this ____ day of _____, 2015.

County of San Mateo

By: _____

Name: _____

Title: _____

San Mateo Project Areas
Projected Passthrough Payment Coverage

Fiscal Year	Gross Tax Increment (All Areas)	County Admin. Fee	Successor Agency Debt Service =	Tax Increment Available for Passthrough Payments	All Passthrough Payments	Passthrough Coverage
2014/15	15,427,268	203,675	6,761,158	8,462,436	2,218,589	3.81
2015/16	15,717,091	207,501	6,467,303	9,042,287	2,323,223	3.89
2016/17	16,012,710	211,404	6,464,885	9,336,422	2,418,102	3.86
2017/18	16,314,242	215,385	6,467,607	9,631,250	2,514,878	3.83
2018/19	16,621,804	219,445	6,464,872	9,937,487	2,613,590	3.80
2019/20	16,935,518	223,587	6,456,029	10,255,902	2,714,276	3.78
2020/21	17,255,505	227,811	6,462,819	10,564,875	2,816,976	3.75
2021/22	17,581,893	232,120	6,467,658	10,882,115	2,921,729	3.72
2022/23	17,914,808	236,516	6,452,444	11,225,849	3,028,578	3.71
2023/24	18,254,382	240,999	6,456,838	11,556,545	3,137,564	3.68
2024/25	18,600,747	245,572	6,461,838	11,893,338	3,248,729	3.66
2025/26	18,954,039	250,236	5,062,250	13,641,553	3,362,118	4.06
2026/27	19,314,397	254,993	5,054,250	14,005,154	3,477,775	4.03
2027/28	19,681,963	259,846	4,237,250	15,184,867	3,595,744	4.22
2028/29	20,056,879	264,796	4,236,250	15,555,833	3,716,073	4.19
2029/30	20,439,294	269,845	4,237,000	15,932,450	3,838,809	4.15
2030/31	20,829,358	274,994	4,239,000	16,315,363	3,969,419	4.11
2031/32	8,750,336	115,524	4,236,750	4,398,062	1,751,770	2.51
2032/33	8,789,231	116,038	-	8,673,194	1,814,632	4.78
2033/34	8,966,689	118,380	-	8,848,308	1,878,752	4.71
2034/35	-	-	-	-	-	-
Total	332,418,154	4,388,665	102,686,197	225,343,291	57,361,327	-

* Includes 2005 TABs, 2005 Housing Bonds and 2007 TABs in FY 2014-15. Includes 2007 TABs and 2015 Refunding TABs in FY 2015-16 and later. Debt service on 2015 Bonds is estimated by underwriter as of April 6, 2015.

San Mateo Project Areas
Debt Service Coverage Projections

Fiscal Year	Gross Tax Increment (All Areas)	County Admin. Fee	Tax Increment Available for Senior Debt Service	Debt Service Senior To 2015 Bonds *	Coverage For Senior Debt Service	Tax Increment Available For 2015 Bonds Debt Service	Debt Service on 2015 Bonds	Coverage For 2015 Bonds
2014/15	15,427,268	203,675	15,223,594	6,761,158	2.25	8,462,436	-	-
2015/16	15,717,091	207,501	15,509,590	3,812,124	4.07	11,697,466	2,655,179	4.41
2016/17	16,012,710	211,404	15,801,307	3,810,124	4.15	11,991,183	2,654,761	4.52
2017/18	16,314,242	215,385	16,098,857	3,810,186	4.23	12,288,671	2,657,421	4.62
2018/19	16,621,804	219,445	16,402,359	3,813,043	4.30	12,589,316	2,651,829	4.75
2019/20	16,935,518	223,587	16,711,931	3,808,043	4.39	12,903,888	2,647,986	4.87
2020/21	17,255,505	227,811	17,027,694	3,808,643	4.47	13,219,051	2,654,176	4.98
2021/22	17,581,893	232,120	17,349,772	3,811,338	4.55	13,538,435	2,656,320	5.10
2022/23	17,914,808	236,516	17,678,292	3,807,894	4.64	13,870,399	2,644,550	5.24
2023/24	18,254,382	240,999	18,013,383	3,804,088	4.74	14,209,295	2,652,750	5.36
2024/25	18,600,747	245,572	18,355,175	3,810,338	4.82	14,544,838	2,651,500	5.49
2025/26	18,954,039	250,236	18,703,803	-	-	18,703,803	5,062,250	3.69
2026/27	19,314,397	254,993	19,059,404	-	-	19,059,404	5,054,250	3.77
2027/28	19,681,963	259,846	19,422,117	-	-	19,422,117	4,237,250	4.58
2028/29	20,056,879	264,796	19,792,083	-	-	19,792,083	4,236,250	4.67
2029/30	20,439,294	269,845	20,169,450	-	-	20,169,450	4,237,000	4.76
2030/31	20,829,358	274,994	20,554,363	-	-	20,554,363	4,239,000	4.85
2031/32	8,750,336	115,524	8,634,812	-	-	8,634,812	4,236,750	2.04
2032/33	8,789,231	116,038	8,673,194	-	-	8,673,194	-	-
2033/34	8,966,689	118,380	8,848,308	-	-	8,848,308	-	-
2034/35	-	-	-	-	-	-	-	-
Total	332,418,154	4,388,665	328,029,489	44,856,975	-	283,172,514	57,829,222	-

* Includes 2005 TABs, 2005 Housing Bonds and 2007 TABs in FY 2014-15. Includes 2007 TABs in FY 2015-16 and later.

SAVINGS

Successor Agency to the Redevelopment Agency of the City of San Mateo
Structure for PA Savings Analysis
Assumes DSRF Surety
Market Conditions as of April 6, 2015 (plus 20 bps)

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 08/05/2015 @ 3.1704480%
08/01/2016	2,952,718.76	2,655,179.38	297,539.38	290,430.75
08/01/2017	2,953,337.50	2,654,761.00	298,576.50	281,910.50
08/01/2018	2,955,932.50	2,657,421.00	298,511.50	272,904.72
08/01/2019	2,950,895.00	2,651,829.00	299,066.00	264,737.14
08/01/2020	2,948,082.50	2,647,986.00	300,096.50	257,223.79
08/01/2021	2,953,120.00	2,654,176.00	298,944.00	248,132.24
08/01/2022	2,953,431.26	2,656,320.00	297,111.26	238,806.77
08/01/2023	2,946,020.00	2,644,550.00	301,470.00	234,643.94
08/01/2024	2,950,530.00	2,652,750.00	297,780.00	224,483.08
08/01/2025	2,951,417.50	2,651,500.00	299,917.50	219,049.26
08/01/2026	5,359,085.00	5,062,250.00	296,835.00	210,039.16
08/01/2027	5,351,072.50	5,054,250.00	296,822.50	203,580.76
08/01/2028	4,536,987.50	4,237,250.00	299,737.50	199,229.28
08/01/2029	4,534,312.50	4,236,250.00	298,062.50	191,998.15
08/01/2030	4,535,562.50	4,237,000.00	298,562.50	186,293.00
08/01/2031	4,537,312.50	4,239,000.00	298,312.50	180,299.93
08/01/2032	4,538,093.76	4,236,750.00	298,343.76	174,781.63
	62,904,911.28	57,829,222.38	5,075,688.90	3,878,546.09

Savings Summary

PV of savings from cash flow	3,878,546.09
Plus: Refunding funds on hand	585.07
Net PV Savings	3,879,131.16