July 1, 2009

Re: Convention Center Facilities District No. 2008-1
Special Tax Collection - Zone 1

Dear:

On June 16, 2009, the San José City Council certified the election results related to the imposition of the special tax for the Convention Center Facilities District No. 2008-1 (the “CCFD”) with 78% of the ballots cast voting “yes” to the collection, exceeding the two-thirds approval requirement. In addition, the City Council adopted an ordinance to levy the special tax within the CCFD commencing on July 1, 2009 with the first payment due when your next Transient Occupancy Tax is due to the City.

Pursuant to the Rate and Method of Apportionment (the “RMA”), the special tax is collected in two zones defined by the distance of a two and one quarter (2 ¼) mile radius from the San José Convention Center. The amount of the special tax for the above referenced hotel in Zone 1 is four percent (4%) of all rent charged.

Enclosed is the Convention Center Facilities District Remittance Form required to be submitted with the payment of special taxes to ensure proper recording of the special tax. The form is also available on the City’s website at http://www.csjfinance.org/CCFD.pdf Please note that unlike Transient Occupancy Taxes (“TOT”), there are no exemptions given for foreign or federal employees who are on official business.

If you have any questions, please contact Huey Dang at (408) 535-7008.

Sincerely,

/s/

SCOTT P. JOHNSON
Director of Finance

Enclosures
Convention Center Facilities District Tax Remittance Form
Rate and Method of Apportionment
July 1, 2009

Re: Convention Center Facilities District No. 2008-1
Special Tax Collection - Zone 2

Dear:

On June 16, 2009, the San José City Council certified the election results related to the imposition of the special tax for the Convention Center Facilities District No. 2008-1 (the “CCFD”) with 78% of the ballots cast voting “yes” to the collection, exceeding the two-thirds approval requirement. In addition, the City Council adopted an ordinance to levy the special tax within the CCFD commencing on July 1, 2009 with the first payment due when your next Transient Occupancy Tax is due to the City.

Pursuant to the Rate and Method of Apportionment (the “RMA”), the special tax is collected in two zones defined by the distance of a two and one quarter (2 ¼) mile radius from the San José Convention Center. The amount of the special tax for the above referenced hotel in Zone 2 is presented below:

<table>
<thead>
<tr>
<th>Term</th>
<th>Base Special Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009 – December 31, 2009</td>
<td>1%</td>
</tr>
<tr>
<td>January 1, 2010 – June 30, 2010</td>
<td>2%</td>
</tr>
<tr>
<td>July 1, 2010 – June 30, 2011</td>
<td>3%</td>
</tr>
<tr>
<td>July 1, 2011 and thereafter</td>
<td>4%</td>
</tr>
</tbody>
</table>

Enclosed is the Convention Center Facilities District Remittance Form required to be submitted with the payment of special taxes to ensure proper recording of the special tax. The form is also available on the City’s website at http://www.csjfinance.org/CCFD.pdf Please note that unlike Transient Occupancy Taxes (“TOT”), there are no exemptions given for foreign or federal employees who are on official business.

If you have any questions, please contact Huey Dang at (408) 535-7008.

Sincerely,
/s/  
SCOTT P. JOHNSON  
Director of Finance

Enclosures  
Convention Center Facilities District Tax Remittance Form  
Rate and Method of Apportionment
September 9, 2009

Re: Convention Center Facilities District Special Property Tax

Dear San Jose Hotel Property Owner:

As you know, property owners recently approved a special tax on hotel properties in San Jose, as of July 1, 2009. The structure of this tax is based on the provisions of state law (the "Mello-Roos Community Facilities Act of 1982"), with some modifications to make the payment of the taxes easier.

Some hotel property owners have raised concerns about the Notice of the Tax Lien filed on the hotel properties. The purpose of this letter is to explain the tax structure, the tax lien and the possible impact it may have on property owners.

In California, voters must approve any new taxes. If the tax is for a restricted purpose, such as this one, where proceeds are limited to Convention Center Improvements, a two-thirds vote is required. In certain circumstances however, the law allows the vote to be limited to property owners rather than all registered voters. One of those circumstances is if the procedures of the Mello-Roos law are followed.

The Mello-Roos law provides that the lien for the tax is created by the recordation of the Notice of Special Tax Lien to make the City tax on parity with the general property tax lien. The requirement for the Notice of Special Tax Lien, its form, and its priority, are all required by statute so the City cannot dispense with the notice nor can the City subordinate the lien to another party.

However, the Mello-Roos law provides considerable flexibility in the calculation of the special tax and its payment procedure. In our case, the City has used that flexibility to structure the special tax to closely mimic the City's hotel transient occupancy tax (TOT). This was intended to make the special tax easier for the hotels to administer and pay. The hotels can pay the tax from their own funds or they may pass the tax on to their customers to be paid at the time the other room fees are paid. However, the basic underlying nature of the special tax remains a property tax on the hotel parcel. Just like any property tax, the City's remedies to collect special tax, if the delinquency were
severe enough and lasted long enough, are either through the tax sale of the property, or by foreclosure. Both remedies would result in the extinguishment of all private liens.

Lenders and title companies are very familiar with the Mello-Roos tax structure and the fact that property tax liens always have first priority on title. Where this tax is different from the standard property tax, and even the standard Mello-Roos tax, is that the amount of the tax is not fixed, but based on a percentage of room rental and it is remitted to the City more frequently. This will require lenders to estimate the amount of the tax when underwriting a loan, to evaluate the risk of nonpayment and to determine an appropriate amount, if any, to impound.

In order to facilitate lenders' review of these issues, the City will provide the attached fact sheet describing the tax and providing contact information to City personnel who can answer questions about specific hotel properties.

Very truly yours,

RICHARD DOYLE, City Attorney

By:  /s/

PATRICIA A. DEIGNAN
Chief Deputy City Attorney

C: Mayor
City Council
City Manager

RD/PAD;mn
Attachment