

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2009T Bonds is exempt from California personal income taxes. The interest on the Series 2009T Bonds is not excluded from gross income for federal income tax purposes and is subject to all applicable federal income taxation. See "TAX MATTERS" herein.

\$38,755,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2009T
(FEDERALLY TAXABLE)

Dated: Date of Delivery

Due: September 1, as shown on inside cover page

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The above-referenced bonds (the "Series 2009T Bonds") are being issued by the Redevelopment Agency of the City of Oakland (the "Agency") to: (i) finance certain redevelopment activities within or to the benefit of the Agency's Central District Redevelopment Project Area (the "Project Area"); (ii) satisfy the Reserve Requirement for the Series 2009T Bonds; and (iii) pay the costs associated with the issuance of the Series 2009T Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2009T Bonds are issued pursuant to an Indenture of Trust, dated as of January 1, 2003, as heretofore supplemented and amended, including by a Third Supplemental Indenture of Trust, dated as of May 1, 2009 (as so supplemented and amended, the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") to BNY Western Trust Company.

The Series 2009T Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series 2009T Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2009T Bonds. Principal of, interest on and redemption premiums, if any, on the Series 2009T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2009T Bonds, which in turn is obligated to remit such principal, interest and redemption premiums, if any, to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2009T Bonds. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2009T Bonds, all notices, including any notice of redemption, will be mailed only to Cede & Co. See APPENDIX G — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Series 2009T Bonds will be payable on March 1 and September 1 of each year, commencing September 1, 2009, at the respective rates set forth on the inside cover page. Principal of the Series 2009T Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover page.

The Series 2009T Bonds are subject to optional and mandatory sinking account redemption as described herein. See "THE SERIES 2009T BONDS — Redemption."

For a discussion of some of the risks associated with the purchase of the Series 2009T Bonds, see "SPECIAL RISK FACTORS."

Certain sections of the Preliminary Official Statement with respect to the Series 2009T Bonds, dated April 3, 2009, have been revised to reflect events occurring after that date. See "SPECIAL RISK FACTORS – State Budget Deficit and ERAF" and "THE PROJECT AREA – Statutory Tax Sharing" and APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

The Series 2009T Bonds are payable from and secured by Tax Revenues (as defined herein), consisting primarily of tax increment derived from property in the Project Area and allocated to the Agency pursuant to the Redevelopment Law. No funds or properties of the Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the Series 2009T Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS." **The pledge of Tax Revenues to secure the Series 2009T Bonds is subordinate to a pledge thereof to secure the Agency's Central District Redevelopment Project, Senior Tax Allocation Bonds, Series 1992 and on a parity with the pledge thereof to secure other bonds and parity debt previously issued or to be issued pursuant to the terms of the Indenture, including the Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003, outstanding as of the date hereof in the amount of \$100,835,000, and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005, outstanding as of the date hereof in the amount of \$31,970,000, and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable), outstanding as of the date hereof in the amount of \$27,975,000. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS."**

THE SERIES 2009T BONDS ARE NOT A DEBT OF THE CITY OF OAKLAND (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, THE SERIES 2009T BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2009T BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AGENCY, THE CITY COUNCIL, OR ANY PERSONS EXECUTING THE SERIES 2009T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2009T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The Series 2009T Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Oakland in his capacity as Agency Counsel, by the City Attorney of the City of Oakland in his capacity as Authority Counsel, and by Lofton & Jennings, San Francisco, California, as counsel to the Underwriter. KNN Public Finance, A Division of Zions First National Bank, Oakland, California, is serving as financial advisor to the Agency. It is anticipated that the Series 2009T Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about May 20, 2009.

RBC Capital Markets

This Official Statement is dated May 6, 2009.

MATURITY SCHEDULE

\$38,755,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2009T
(FEDERALLY TAXABLE)

(Base CUSIP No.:† 672321)

\$20,755,000 Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP†
September 1, 2010	\$685,000	5.300%	5.355%	99.924%	JU1
September 1, 2011	700,000	5.625	5.705	99.821	JV9
September 1, 2012	1,000,000	6.000	6.173	99.482	JW7
September 1, 2013	1,820,000	6.500	6.547	99.814	JX5
September 1, 2014	2,300,000	7.000	7.047	99.780	JY3
September 1, 2015	4,000,000	7.250	7.447	99.009	JZ0
September 1, 2016	5,400,000	8.000	8.152	99.157	KA3
September 1, 2017	4,850,000	8.300	8.452	99.086	KB1

\$18,000,000 8.500% Term Bond due September 1, 2020, Yield: 9.000%, Price: 96.479%
CUSIP No.:† 672321 KE5

† Copyright 2009, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the City nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
and
CITY OF OAKLAND
County of Alameda, California**

AGENCY BOARD AND CITY COUNCIL

Jane Brunner (District 1)
Agency Chair and President of the City Council
Ignacio De La Fuente (District 5)
Agency Member and Vice Mayor
Patricia Kernighan (District 2)
Agency Member and Councilmember
Nancy Nadel (District 3)
Agency Member and Councilmember
Jean Quan (District 4)
Agency Member and Councilmember
Desley Brooks (District 6)
Agency Member and Councilmember
Larry Reid, Jr. (District 7)
Agency Member and Councilmember
Rebecca Kaplan (At-Large)
Agency Member and Councilmember

AGENCY AND CITY STAFF

Ron Dellums, *Agency Chief Executive Officer and Mayor*
Dan Lindheim, *Agency Administrator and City Administrator*
LaTonda Simmons, *Agency Secretary and City Clerk*
Courtney A. Ruby, *City Auditor*
John Russo, *Agency Counsel and City Attorney*
Joseph T. Yew, Jr., *Agency Treasurer and City Finance Director/Treasurer*
Walter Cohen, *Director, Community and Economic Development Agency*
Gregory Hunter, *Deputy Director, Community and Economic Development Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

The Bank of New York Mellon
Trust Company, N.A.
San Francisco, California
Trustee

KNN Public Finance,
A Division of Zions First National Bank
Oakland, California
Financial Advisor

Jones Hall, A Professional Law Corporation
San Francisco, California
Bond Counsel and Disclosure Counsel

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations in connection with the offer or sale of the Series 2009T Bonds by the Agency or the Underwriter, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Series 2009T Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed to be a contract with the purchasers of the Series 2009T Bonds.

The information set forth herein has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable, and the Agency and the Underwriter have a reasonable basis for believing that the information set forth herein is accurate, but such information is not guaranteed by the Agency or the Underwriter as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2009T Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities-Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "DEBT SERVICE COVERAGE PROJECTIONS," "THE PROJECT AREA" and in APPENDIX C — "REPORT OF THE FISCAL CONSULTANT."

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Agency does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based occur.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Series 2009T Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2009T Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Series 2009T Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Series 2009T Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2009T Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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San Rafael

Richmond

Berkeley

Emeryville

Oakland

Alameda

San Francisco

San Leandro

Hayward

180

24FWY

1580

1880

\$38,755,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2009T
(FEDERALLY TAXABLE)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2009T Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the Series 2009T Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents.

Certain sections of the Preliminary Official Statement with respect to the Series 2009T Bonds, dated April 3, 2009, have been revised to reflect events occurring after that date. See “SPECIAL RISK FACTORS – State Budget Deficit and ERAF” and “THE PROJECT AREA – Statutory Tax Sharing” and APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

General

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the sale and delivery of the \$38,755,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the “**Series 2009T Bonds**”) to be issued by the Redevelopment Agency of the City of Oakland (the “**Agency**”).

The Series 2009T Bonds are issued pursuant to the authority granted under the Community Redevelopment Law (constituting Part 1 of Division 24 of the Health and Safety Code of the State of California) (the “**Redevelopment Law**”) and a resolution of the Agency adopted on February 17, 2009 (the “**Resolution**”) which authorized the issuance, sale and delivery of the Series 2009T Bonds. The Series 2009T Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2003, as supplemented and amended by a First Supplemental Indenture of Trust, dated as of February 1, 2005, a Second Supplemental Indenture of Trust, dated as of November 1, 2006, and a Third Supplemental Indenture of Trust dated as of May 1, 2009 (collectively, the “**Indenture**”), between the Agency and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “**Trustee**”) to BNY Western Trust Company.

The Series 2009T Bonds will be issued by the Agency for sale to the Oakland Joint Powers Financing Authority (the “**Authority**”) under the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code. See “THE AUTHORITY” and “UNDERWRITING”. The Series 2009T Bonds purchased by the Authority will be immediately resold by the Authority to the Underwriter of the Series 2009T Bonds.

Purpose

The Series 2009T Bonds are being issued to (i) finance certain redevelopment activities within or to the benefit of the Agency's Central District Redevelopment Project Area (the "**Project Area**"); (ii) satisfy the Reserve Requirement for the Series 2009T Bonds; and (iii) pay the costs associated with the issuance of the Series 2009T Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2009T Bonds will mature in the years and amounts set forth on the inside cover page.

The Agency

The Agency was created by the City of Oakland (the "**City**") in 1956 to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (the "**Redevelopment Law**") and, effective December 31, 1975, the City Council of the City (the "**City Council**") declared itself to be the Agency. Although the Agency is an entity distinct from the City, certain City personnel provide staff support for the Agency. See "THE AGENCY."

The Agency currently administers ten redevelopment project areas in the City. When the Agency issues debt for a project area, other than debt secured by its Low & Moderate Housing Fund, such debt is payable solely from the tax increment revenues generated in that project area.

The Authority

The Authority was created by a Joint Exercise of Powers Agreement by and between the Agency and the City and pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. See "THE AUTHORITY."

The City

The City, located immediately east of the City of San Francisco across the San Francisco-Oakland Bay Bridge, lies at the heart of the East Bay. The City occupies approximately 53.8 square miles, is served by the Interstates 80, 580, 880 and 980, and boasts a world-class seaport.

The City is a charter city incorporated in 1854 and operates under a mayor-council form of government. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The mayor is not a member of the City Council, but is the City's chief elective officer. The mayor and City Council members serve four-year terms staggered at two-year intervals. For additional information regarding the City, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

The Project Area

The Project Area encompasses approximately 828 acres, and contains the City's downtown commercial district, as well as residential and public uses. The Project Area consists of the Original Project Area, the 1982 Amendment Area and the 2002 Amendment Area (each

as defined herein). See “THE PROJECT AREA” and APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

The Series 2009T Bonds

The Series 2009T Bonds will be dated the date of their initial issuance and delivery, will be issued in fully registered, book-entry form in denominations of \$5,000 or any integral multiple thereof and are redeemable as set forth in the Indenture and summarized herein. See “THE SERIES 2009T BONDS.”

The Series 2009T Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2009T Bonds. Individual purchases of the Series 2009T Bonds will be made in book entry form only. Principal of, premium, if any, and interest on, the Series 2009T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2009T Bonds. Upon receipt of payments of principal, premium, if any, and interest, DTC is to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Series 2009T Bonds. Purchasers will not receive certificates representing the Series 2009T Bonds purchased by them. See APPENDIX G – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Each Series 2009T Bond will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year (each, an “**Interest Payment Date**” with respect to the Series 2009T Bonds), commencing September 1, 2009, and will mature on the dates and in the amounts set forth on the inside cover page hereof.

Security and Sources of Payment for the Series 2009T Bonds

General. The Series 2009T Bonds are limited obligations of the Agency payable solely from and secured solely by a pledge of Tax Revenues (as defined herein) and certain other funds held by the Trustee pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS.”

Pursuant to the Redevelopment Law, a portion of all property tax revenues (the “**Tax Revenues**”), including certain reimbursements by the State of California (the “**State**”), collected by or for each taxing agency on any increase in the taxable value of certain property within the Project Area over that shown on the assessment rolls for the base year (“**Base Year Value**”) may be pledged to the repayment of loans, advances and indebtedness incurred by the Agency in connection with redevelopment activities in or of benefit to the Project Area. The Project Area has a Base Year Value that was established based on the assessed value for the year in which taxable property in such area was last equalized prior to the effective date of the ordinance approving the applicable redevelopment plan. The Base Year for the Original Project Area is Fiscal Year 1968-69. The Agency, under the Indenture, pledges the Tax Revenues to secure repayment of the Series 2009T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS – Allocation of Taxes” and “– Tax Revenues.”

As and to the extent set forth in the Indenture, all the Tax Revenues are irrevocably pledged for the security and payment, first, of the Senior Bonds and, on a subordinate basis, of the Series 2009T Bonds, the Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds (collectively, the “**Bonds**”) and any other Parity Debt (each as defined below); but nevertheless out of the Tax Revenues certain amounts may be applied for other purposes as

provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS – Additional Parity and Subordinate Debt.”

Outstanding Senior and Parity Debt. The pledge of Tax Revenues securing the Series 2009T Bonds is subordinate to the pledge thereof securing the Agency's Central District Redevelopment Project, Senior Tax Allocation Refunding Bonds, Series 1992 (the “**Senior Bonds**”). The Senior Bonds are currently outstanding in the principal amount of \$29,720,000. The Series 2009T Bonds are being issued on a parity with the Agency's:

- Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 (the “**Series 2003 Bonds**”), which are outstanding as of the date hereof in the amount of \$100,835,000,
- Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the “**Series 2005 Bonds**”), which are outstanding as of the date hereof in the amount of \$31,970,000, and
- Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the “**Series 2006T Bonds**”), which are outstanding as of the date hereof in the amount of \$27,975,000.

See “DEBT SERVICE COVERAGE PROJECTIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS — Outstanding Senior and Parity Debt.”

Reserve Account. On the date of delivery of the Series 2009T Bonds, a portion of the Series 2009T Bond proceeds will be deposited into the Series 2009T Bonds Subaccount of the Reserve Account to satisfy the portion of the Reserve Requirement attributable to the Series 2009T Bonds. In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient to pay debt service on the Series 2009T Bonds, the amounts so deposited will be available to pay debt service on the Series 2009T Bonds. **The amounts deposited will not be available to pay debt service on the Series 2003 Bonds, the Series 2005 Bonds or the Series 2006T Bonds, but may, if so provided in a supplemental indenture authorizing the issuance of Parity Debt, be used to pay debt service on such Parity Debt.** See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS — Reserve Account.”

THE SERIES 2009T BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, THE SERIES 2009T BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2009T BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AGENCY, THE CITY COUNCIL, OR ANY PERSONS EXECUTING THE SERIES 2009T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2009T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

Certain Risk Factors

Investment in the Series 2009T Bonds involves risk. For a discussion of certain considerations relevant to an investment in the Series 2009T Bonds, see “SPECIAL RISK FACTORS.”

Additional Information

This Official Statement contains brief descriptions of the Series 2009T Bonds, the security for the Series 2009T Bonds, the Indenture, the Agency, the Project, the Project Area and certain other information relevant to the issuance of the Series 2009T Bonds. All references herein to the Indenture are qualified in their entirety by reference to the complete text thereof and all references to the Series 2009T Bonds are further qualified by reference to the form thereof contained in the Indenture. The Agency's audited financial statements for the Fiscal Year ended June 30, 2008 are included in APPENDIX B. The proposed form of legal opinion of Bond Counsel for the Series 2009T Bonds is set forth in APPENDIX E. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” for definitions of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture. The information set forth herein and in the Appendices hereto has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Agency or the Underwriter and is not to be construed as a representation by the Underwriter. Copies of documents referred to herein and information concerning the Series 2009T Bonds are available upon written request from the Treasury Manager, 150 Frank Ogawa Plaza, 5th Floor, Oakland, California 94612. The Agency may impose a charge for copying, mailing and handling.

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PLAN OF FINANCE

The Project

A portion of the proceeds of the Series 2009T Bonds will be deposited in the Redevelopment Fund held by the Trustee to be applied to finance various redevelopment activities within the Project Area (collectively, the “**Project**”), including, but not limited to, purchasing land for development of a public garage, refinancing debt for the City Center West Garage and facilitating other development projects. The Project does not serve as security for the Series 2009T Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2009T Bonds are as follows:

Sources:

Principal Amount	\$38,755,000.00
Less Original Issue Discount	<u>(778,669.80)</u>
TOTAL SOURCES	\$37,976,330.20

Uses:

Deposit to Redevelopment Fund ⁽¹⁾	\$33,577,615.98
Deposit to Reserve Account ⁽²⁾	3,797,633.02
Costs of Issuance ⁽³⁾	<u>601,081.20</u>
TOTAL USES	\$37,976,330.20

⁽¹⁾ To be used to finance redevelopment activities in the Project Area. See “– The Project.”

⁽²⁾ Deposit to the Series 2009T Subaccount of the Reserve Account equal to the portion of the Reserve Requirement applicable to the Series 2009T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS – Reserve Account.”

⁽³⁾ Includes the fees and expenses of Bond Counsel, fees and expenses of the Fiscal Consultant, the Trustee and the Financial Advisor, the Underwriter's discount, printing costs, rating agency fees and other costs related to the issuance of the Series 2009T Bonds.

THE SERIES 2009T BONDS

Description

The Series 2009T Bonds will be dated their date of delivery, will be issued in the respective aggregate principal amounts and will mature on the dates as set forth on the cover hereof. Each Series 2009T Bond will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year, commencing September 1, 2009, and will mature on the dates and in the amounts set forth on the cover page hereof. The Series 2009T Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. The Series 2009T Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2009T Bond will have more than one maturity date. The Series 2009T Bonds will be issued only as one fully registered Series 2009T Bond for each maturity of the Series 2009T Bonds, in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See APPENDIX G — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Except as provided in the Indenture, the Trustee will not be required to register the transfer or exchange of any Bond during the 15 days before the date established by the Trustee for the selection of Bonds for redemption or after such Bond has been selected for redemption. The Trustee will require the Bondowner requesting such transfer or exchange to pay any tax or other charge required to be paid with respect to such transfer or exchange, and the Trustee also may require the Bondowner requesting such transfer or exchange to pay a reasonable sum to cover expenses incurred by the Trustee or the Agency in connection with such transfer or exchange.

Each Series 2009T Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2009, in which event it will bear interest from the date of delivery of the Series 2009T Bonds; provided, however, that if, as of the date of authentication of any Series 2009T Bond, interest thereon is in default, such Series 2009T Bond will bear interest from the date to which interest has previously been paid in full.

Interest on the Series 2009T Bonds (including the final interest payment upon maturity or redemption) is payable when due by check of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of any Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date in accordance with the wire instructions provided by the Owner at the Owner's risk and expense.

While the Series 2009T Bonds are held in the book-entry only system of DTC, all such payments will be made to Cede & Co., as the registered Owner of the Series 2009T Bonds. The principal of the Series 2009T Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See APPENDIX G — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Redemption

Optional Redemption. The Series 2009T Bonds are subject to redemption prior to their maturity, at the option of the Agency and from any source of available funds, as a whole or in part on any date (by such maturities as may be specified by the Agency) at a redemption price equal to the Make Whole Redemption Price, as computed by or at the direction of the Agency and furnished to the Trustee.

“Make Whole Redemption Price” means a redemption price equal to the greater of (i) one hundred percent (100%) of the principal amount of the Series 2009T Bonds to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2009T Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 12.5 basis points), plus in each case, accrued and unpaid interest on the Series 2009T Bonds being redeemed to the date fixed for redemption.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular 2009T Bond, the US Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable 2009T Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2009T Bond to be redeemed.

“Treasury Rate” means, with respect to any redemption date for a particular 2009T Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

“Comparable Treasury Price” means, with respect to any redemption date for a 2009T Bond, (1) the average of the Reference Treasury Deal Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by the Agency.

“Reference Treasury Dealer” means three firms, specified by the Agency from time to time, that are primary U.S. Government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Agency will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2009T Bond, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Mandatory Sinking Account Redemption. The Series 2009T Bonds that are Term Bonds maturing on September 1, 2020 are also subject to mandatory redemption prior to their stated maturities, in whole, or in part by lot, on September 1 of each year set forth below, commencing September 1, 2018, as set forth below from sinking fund payments made by the Agency to the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that if some but not all of such Term Bonds have been optionally redeemed pursuant to the terms of the Indenture (as described under the subcaption “— Optional Redemption” above), the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Series 2009T Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

**Series 2009T Bonds Maturing
September 1, 2020**

Sinking Fund Payment Date (September 1)	Principal Amount
2018	\$5,760,000
2019	6,000,000
2020 (Maturity)	6,240,000

Notice of Redemption; Rescission. Notice of redemption will be mailed by the Trustee by first class mail, at least 30 days but not more than 60 days prior to the redemption date, to the Owners of any Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee. Such mailing of the notice of redemption is not a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds designated for redemption or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, the CUSIP number of the Bonds to be redeemed, the individual number of each Bond to be redeemed or that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and will require that such Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price and will give notice that further interest on such Bonds will not accrue from and after the redemption date.

Any notice of redemption may be rescinded by written notice given to the Trustee by the Agency on or prior to the date fixed for redemption. The Trustee will mail notice of such rescission of redemption in the same manner and to the same recipients as the original notice of redemption was sent.

So long as the book-entry system is in effect, the Trustee will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Series 2009T Bonds under the book-entry system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Selection of Bonds for Redemption. If less than the total amount of the Series 2009T Bonds Outstanding are redeemed, the Series 2009T Bonds to be redeemed will be selected by the Agency; provided, however, if less than all of the Series 2009T Bonds of a given maturity are redeemed, the Series 2009T Bonds of such maturity to be redeemed will be redeemed on a pro rata basis. "Pro rata" is determined, in connection with any mandatory sinking fund redemption or any optional redemption in part, by multiplying the principal amount of the Series 2009T Bonds of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2009T Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2009T Bonds of such maturity then Outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of \$5,000; provided that the portion of any Series 2009T Bonds to be redeemed are required to be in authorized denominations and all Series 2009T Bonds of a maturity to remain Outstanding following any redemption are required to be in authorized denominations.

So long as there is a securities depository for the Series 2009T Bonds, there will be only one registered owner and neither the Agency nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series 2009T Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Series 2009T Bonds so called for redemption will have been duly deposited with the Trustee, such Series 2009T Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

DEBT SERVICE COVERAGE

The following table shows annual debt service on the Senior Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds and the Series 2009T Bonds, without regard to any optional redemption, and estimated coverage assuming no growth in Tax Revenues.

Bond Year Ending Sept.1	Tax Revenues ⁽¹⁾	1992 Senior Bonds Debt Service ⁽²⁾	Tax Revenues Available for Bonds	Series 2003 Bonds Debt Service ⁽²⁾	Series 2005 Bonds Debt Service ⁽²⁾	Series 2006T Bonds Debt Service ⁽²⁾	Series 2009T Bonds Debt Service	Total Parity Debt Service	Estimated Combined Coverage (times)	Estimated Subordinate Coverage (times)
2009	\$36,263,055	\$7,994,825	\$28,268,230	\$8,786,075	\$1,598,500	\$4,076,228	\$861,174	\$14,291,832	1.56	1.84
2010	36,263,055	6,745,088	29,517,968	10,035,825	1,598,500	3,675,201	3,754,530	19,064,056	1.41	1.55
2011	36,263,055	6,757,538	29,505,518	10,024,825	1,598,500	3,678,092	3,733,225	19,034,642	1.41	1.55
2012	36,263,055	6,801,563	29,461,493	9,977,575	1,598,500	3,694,418	3,993,850	19,264,343	1.39	1.53
2013	36,263,055	6,835,513	29,427,543	9,944,600	1,598,500	3,703,129	4,753,850	20,000,079	1.35	1.47
2014	36,263,055	6,863,700	29,399,355	9,917,875	1,598,500	3,709,224	5,115,550	20,341,149	1.33	1.45
2015	36,263,055	-	36,263,055	16,781,300	1,598,500	1,497,441	6,654,550	26,531,791	1.37	1.37
2016	36,263,055	-	36,263,055	16,780,100	1,598,500	1,498,850	7,764,550	27,642,000	1.31	1.31
2017	36,263,055	-	36,263,055	16,780,125	1,598,500	1,497,895	6,782,550	26,659,070	1.36	1.36
2018	36,263,055	-	36,263,055	16,784,175	1,598,500	1,493,114	7,290,000	27,165,789	1.33	1.33
2019	36,263,055	-	36,263,055	16,779,775	1,598,500	1,495,897	7,040,400	26,914,572	1.35	1.35
2020	36,263,055	-	36,263,055	-	14,468,500	4,205,705	6,770,400	25,444,605	1.43	1.43
TOTAL	\$435,156,660	\$41,998,227	\$393,158,437	\$142,592,250	\$32,052,000	\$34,225,194	\$64,514,629	\$272,353,928		

(1) Tax Revenue is net of the 20% Housing Set-Aside and the SB 2557 property tax administration costs and pass-through payments. Tax Revenues are held constant at Fiscal Year 2008-09 levels. For additional information about the calculation of Tax Revenues and the Fiscal Consultant's Tax Revenue projections, see "THE PROJECT AREA – Projected Tax Revenues" and APPENDIX C - "REPORT OF THE FISCAL CONSULTANT."

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS - Outstanding Senior and Parity Debt." The Series 2005 Bonds debt service is as of April 1, 2009.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established in the base year. Thereafter, except for any period during which the taxable valuation drops below the base year level, the taxing bodies receive the taxes produced by the levy of the then-current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll (with the exception of taxes derived from increases in the tax rate imposed by taxing agencies to support new bonded indebtedness) are allocated to the redevelopment agency and may be pledged to the repayment of any indebtedness incurred in financing or refinancing redevelopment. Redevelopment agencies themselves have no authority to levy property taxes and must look exclusively to such allocation of taxes.

Allocation of Taxes

As provided in the Redevelopment Plan (as defined herein), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes (other than taxes imposed by taxing agencies for the purpose of paying for bonded indebtedness approved by the voters after January 1, 1989 (see "LIMITATIONS ON TAX REVENUES – Proposition 87" below)) levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each Fiscal Year beginning after the effective dates of the ordinance approving the redevelopment plan are divided as follows:

1. To other taxing agencies: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective dates of the ordinances referred to above (the "**Base Year Amount**") will be allocated to and when collected will be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which will be allocated to and when collected will be paid to the respective taxing agency, and except for non-subordinated statutory pass-through payments, that portion of the levied taxes each year in excess of the Base Year Amount will be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project

Area will be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See “– Tax Revenues,” below.

Tax Revenues

General. Subject to the prior and senior pledge of and interest in and lien on the Tax Revenues in favor of the Senior Bonds, the Bonds and any Parity Debt will be equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the Bonds and any Parity Debt will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency will be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Series 2009T Bonds. Under the Indenture, the Agency may incur additional loans, advances or indebtedness on a parity with the Bonds (“**Parity Debt**”), which Parity Debt will be equally secured on a parity with the Bonds by a pledge of and security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, and, if applicable under any Supplemental Indenture, any Parity Debt issued as Bonds will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund (including the Reserve Account). See “– Additional Parity and Subordinate Debt” below. See also APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

“**Tax Revenues**” is defined in the Indenture as all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, but excluding all other amounts of such taxes (if any):

- (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Redevelopment Law for increasing and improving the supply of low and moderate income housing,
- (ii) amounts payable by the State to the Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code (consisting generally of special supplemental subventions to certain cities, multi-county special districts, and redevelopment agencies), and
- (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds.

The Agency's receipt of Tax Revenues is subject to certain limitations (the “**Plan Limit**”) contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As described under the caption

“LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation,” the Agency's collection of Tax Revenues in the Project Area is subject to limitations of the total tax increment collected by the Agency over the life of the Redevelopment Plan.

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Series 2009T Bonds and, consequently, the principal of, and interest on, the Series 2009T Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “SPECIAL RISK FACTORS” and “LIMITATIONS ON TAX REVENUES.”

THE SERIES 2009T BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2009T BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2009T BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NONE OF THE MEMBERS OF THE AGENCY, THE CITY COUNCIL, OR ANY PERSONS EXECUTING THE SERIES 2009T BONDS ARE LIABLE PERSONALLY ON THE SERIES 2009T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

In consideration of the acceptance of the Series 2009T Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Agency and the Owners from time to time of the Series 2009T Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency are for the equal and proportionate benefit, security and protection of all owners of the Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the Series 2009T Bonds over any of the others by reason of the number or date thereof or the time of sale, execution and delivery thereof, or otherwise for any cause whatsoever, except as expressly provided in the Series 2009T Bonds or in the Indenture.

Outstanding Senior and Parity Debt

The Series 2009T Bonds are subordinate to the Agency's Central District Redevelopment Project, Senior Tax Allocation Refunding Bonds, Series 1992 (the “**Senior Bonds**”). The Senior Bonds are secured by a pledge of the Senior Bonds Tax Revenues of the Agency. The Indenture provides that so long as Bonds remain Outstanding, the Agency will not issue or incur any obligations payable from Tax Revenues on a basis senior to the payment of debt service on the Series 2009T Bonds other than refunding bonds with respect to the Senior Bonds (and any refunding of such refunding bonds) which do not result in increased debt service in any Bond Year (as defined in the Senior Bonds Resolution). The Senior Bonds are currently outstanding in the principal amount of \$29,720,000; with maximum annual debt service of \$7,047,400 occurring in 2014. The final maturity of the Senior Bonds is February 1, 2014.

The Series 2009T Bonds are being issued on a parity with the Agency's Series 2003 Bonds, which are outstanding as of the date hereof in the amount of \$100,835,000, Series 2005

Bonds, which are outstanding as of the date hereof in the amount of \$31,970,000 and Series 2006T Bonds, which are outstanding as of the date hereof in the amount of \$27,975,000. The Series 2009T Bonds, the Series 2006T Bonds, the Series 2005 Bonds and the Series 2003 Bonds are referred to collectively herein as the “**Bonds.**” The Agency may issue other debt, payable on a parity with or subordinate to the payment of debt service on the Bonds subject to the conditions set forth in the Indenture. See “—Additional Parity and Subordinate Debt.”

Reserve Account

On the date of delivery of the Series 2009T Bonds, a portion of the Series 2009T Bond proceeds will be deposited into the Reserve Account to satisfy the portion of the Reserve Requirement attributable to the Series 2009T Bonds. On the date of issuance, the Reserve Requirement for the Series 2009T Bonds is \$3,797,633.02, which is equal to 10% of the total of the proceeds of the Series 2009T Bonds. In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient to pay debt service on the Series 2009T Bonds, the amounts so deposited will be available to pay debt service on the Series 2009T Bonds. **The amounts deposited into the Reserve Account will not be available to pay debt service on the Series 2003 Bonds, the Series 2005 Bonds or the Series 2006T Bonds, but may, if so provided in a supplemental indenture authorizing the issuance of Parity Debt, be used to pay debt service on such Parity Debt. Amounts on deposit in the reserve accounts for the Series 2003 Bonds, Series 2005 Bonds and Series 2006T Bonds will not be available to pay debt service on the Series 2009T Bonds.** See APPENDIX D — “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE — The Reserve Account.”

“**Reserve Requirement**” is defined in the Indenture to mean, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds) and, (ii) 10% of the total of the proceeds of the Bonds (excluding from the calculation thereof any Parity Debt other than Bonds) or (iii) 125% of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds); provided, that in no event will the Agency, in connection with the issuance of additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit, and that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Requirement will, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit.

“**Maximum Annual Debt Service**” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there will be excluded the principal of any Bonds and other Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds and other Parity Debt are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indenture. See “— Additional Parity and Subordinate Debt.”

“**Annual Debt Service**” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and other Parity Debt in such Bond Year, assuming that the

Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds and other Parity Debt payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year.

In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee is required to notify the Agency of such fact and the Agency is required to transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there will then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there will be on deposit therein a sum at least equal to the Reserve Requirement.

All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Series 2009T Bonds then Outstanding, except that so long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the fifth Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency will have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Reserve Account may be satisfied with the acquisition of a financial instrument meeting the requirements of a "Qualified Reserve Account Credit Instrument" set forth in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Additional Parity and Subordinate Debt

Issuance of Parity Debt. In addition to the Bonds, the Agency may issue Parity Debt payable from Tax Revenues to finance and/or refinance redevelopment activities with respect to the Project in such principal amount as will be determined by the Agency. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge of Revenues; Creation of Special Funds and Accounts." The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument will have occurred and be continuing, and the Agency will otherwise be in compliance with all covenants set forth in the Indenture;

(b) The Tax Revenues estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area

(excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, less the amount of debt service on the Senior Bonds for such Fiscal Year, will be at least equal to 120% of Annual Debt Service, including annual debt service on the proposed Parity Debt, for each Fiscal Year; provided that in determining whether estimated Tax Revenues equal not less than 120% of Annual Debt Service for each Fiscal Year (and regardless of when such calculation is being made), in performing the calculation for each Fiscal Year commencing on and after July 1, 2014 (or, if later, the final maturity of the Senior Bonds) estimated Tax Revenues will not be reduced by the amount of debt service on the Senior Bonds for the then current Fiscal Year;

(c) In the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) will be increased to the Reserve Requirement taking into account the additional Bonds to be issued;

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;

(e) The aggregate amount of the principal of and interest on the Senior Bonds, all Outstanding Bonds, other outstanding Additional Parity and Subordinate Debt coming due and payable following the issuance of such Parity Debt will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as will be confirmed at the time of the issuance of such Parity Debt and as will be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and the Series 2003 Insurer and any other Insurer. The Agency will provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds and Parity Debt in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining debt service on the Senior Bonds and the remaining debt service payable on the Bonds and Parity Debt, exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency will apply amounts on deposit in such escrow solely to the purchase or redemption of the Senior Bonds, the Bonds or Parity Debt, or in the event that the Agency delivers a Written Certificate of the Agency to the effect that the Plan Limit has been amended such that the remaining debt service on the Senior Bonds and the remaining debt service on the Bonds including any Parity Debt, no longer exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit, the Trustee will transfer amounts on deposit in such escrow to the Agency to be used for any lawful purpose; and

(f) The Agency will deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in paragraphs (a), (b) and (e) above have been satisfied.

Issuance of Subordinate Debt. The Agency may issue or incur loans, advances or indebtedness which are either payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or secured by a pledge of or lien upon the Tax Revenues which is expressly

subordinate to the pledge of and lien upon the Tax Revenues for security of the Series 2009T Bonds (“**Subordinate Debt**”), in such principal amount as will be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Senior Bonds, Outstanding Bonds, Additional Parity and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

(b) The Agency will deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in the Indenture have been satisfied.

LIMITATIONS ON TAX REVENUES

The Series 2009T Bonds are secured by a pledge of Tax Revenues attributable to the Project Area. The Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Agency for payment of the principal of and interest on the Series 2009T Bonds is affected by several factors, including but not limited to those discussed below. See also “SPECIAL RISK FACTORS.”

Property Tax Collection Procedures

Classifications. In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of such other liens.

Generally, *ad valorem* taxes are collected by a county (the “**Taxing Authority**”) for the benefit of the various entities (cities, school districts and special districts) that share in the *ad valorem* tax (each a taxing entity) and redevelopment agencies eligible to receive tax increment revenues.

Collections. Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has three ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; and (3) seizure and sale of the personal property, improvement or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll

is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues monthly throughout the Fiscal Year, with the majority of Tax Revenues derived from secured property paid to the Agency in mid-December and mid-April, and the majority of Tax Revenues derived from unsecured property paid to the Agency by mid-November. A final reconciliation is made after the close of the Fiscal Year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated mid-August.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due March 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Penalty. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next January 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. See "THE PROJECT AREA."

Filing of Statement of Indebtedness. Under the Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Project Area by October 1 of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each Fiscal Year. Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (including the Subordinate Bonds and all Parity Debt) (the "**Debt**"), both over the life of the Debt and for the current Fiscal Year, and (ii) the amount of "available revenue" as of the end of the previous Fiscal Year. "**Available Revenue**" is calculated by subtracting the total payments on Debt during the previous Fiscal Year from the total revenues (both tax increment revenues and other

revenues) received during the previous Fiscal Year, plus any carry forward from the prior Fiscal Year.

The County may pay tax increment revenue to the Agency in any Fiscal Year only to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness. The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the County may dispute the statement of indebtedness in certain cases within certain time limits established under State law. Any such dispute may be adjudicated in court, but only the amount of the Debt – not its validity (or any related contract or expenditures) – may be contested. No challenge can be made to payments to a trustee or fiscal agent in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or a bond issue.

Property Tax Limitations - Article XIII A

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor's valuation of real property as shown on the 1975-76 tax roll under “full cash value”, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

Both the United States Supreme Court and the California Supreme Court have upheld the validity of Article XIII A. While it appears that the constitutional challenges to Article XIII A are exhausted, the Agency cannot predict what impact any future developments might have on the Agency's receipt of tax increment revenues.

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership”, for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

Proposition 60 amended Article XIII A to permit the Legislature to allow persons over the age of 55 who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence assessed value to the new residence. As a result of the Legislature's action, the growth of property tax revenues may decline.

Legislation enacted by the Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value (except as noted). Tax rates for voter approved bonded indebtedness and pension liabilities are also applied to 100% of assessed value.

Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity. The starting point for establishing such appropriation limit is Fiscal Year 1978-79 and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the Legislature added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness will not be deemed the receipt by the agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B or any statutory provision enacted in implementation thereof.

The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Redevelopment Agency v. Woosely* and *Brown v. the Redevelopment Agency of the City of Santa Ana*.

Articles XIII C and XIII D of the California Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the California Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Series 2009T Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness issued by a taxing entity (not the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Because this provision is not retroactive, such bonded indebtedness approved prior to January 1, 1989 will continue to provide tax overrides to the Agency so long as such indebtedness remains outstanding. See "THE PROJECT AREA – Tax Rates."

Unitary Property

Assembly Bill (“**AB**”) 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with Fiscal Year 1988-89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive that same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro-rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro-rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenue derived from State-assessed property to taxing jurisdictions within each county in accordance with a new formula. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

Chapters 1457 and 921 provide for redevelopment agencies to receive their appropriate share of revenue generated from the property assessed by the State Board of Equalization. For Fiscal Year 2007-08, \$2,740,501 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

Tax Increment Revenue Limitation

Pursuant to Senate Bill (“**SB**”) 690 (Chapter 639, Statutes of 1985), the Agency was also required to adopt a resolution setting forth a limit on the amount of tax increment the Agency may receive with respect to each of its redevelopment project areas. The maximum amount of tax increment revenue the Agency may receive from the Original Project Area has been established in the amount of \$1,348,862,000 (the “**Plan Limit**”).

The Plan Limit does not include \$75 million in tax increment revenue limit that applies to the 1982 Amendment Area. Only small amounts of tax revenue are expected to be collected from the 1982 Amendment Area. The 2002 Amendment Area has no tax increment revenue limit.

Based on Agency records, as of June 30, 2008, the Agency has received \$682,744,822 of tax increment revenue from the Original Project Area. Pursuant to SB 1045 and SB 1096, the Agency’s ERAF payments in Fiscal Years 2002-03 through 2005-06 may be deducted from the tax increment revenue applied against the Plan Limit. The \$682,744,822 received through June 30, 2008 reflects the deduction of approximately \$13,023,734 in ERAF payments for Fiscal Years 2002-03 through 2005-06. Similarly, pursuant to AB 1389, the Agency’s ERAF payment in Fiscal Year 2008-09 may be deducted from the tax increment revenue applied against the Plan Limit. See “SPECIAL RISK FACTORS – State Budget Deficit and ERAF.”

Whether or not the Agency reaches the Plan Limit during the term of the Series 2009T Bonds (the final maturity of the Series 2009T Bonds is September 1, 2020) depends on the rate

of tax increment growth in the Project Area. The Report of the Fiscal Consultant projects that, with a 2% average rate of growth commencing with Fiscal Year 2009-10 assessed values, the Plan Limit for the Original Project Area would be reached in Fiscal Year 2019-20. With higher rates of growth, the Plan Limit would be reached even sooner. Through Fiscal Year 2008-09, the average annual growth of the assessed values in the Project Area since Fiscal Year 2001-02 has been 9.57%.

In the event that the Agency reaches its Plan Limit, it would not collect any additional tax increment from the Original Project Area to pay debt service on the Series 2009T Bonds. The Agency would continue to collect tax increment from the 1982 Amendment Area and the 2002 Amendment Area. In the Indenture, the Agency covenants to calculate annually the remaining amount available under its Plan Limit and the amount of obligations that exist to be paid from tax increment revenue. If, based on such review, the allocation of tax increment revenue to the Agency in any of the next three succeeding fiscal years will cause an amount equal to 90% of the tax increment revenue remaining to be allocated under the Plan Limit to fall below the cumulative obligations payable from the tax increment revenues, the Agency will be obligated to either use tax increment revenue not needed to pay such obligations to retire or defease the Bonds or to adopt a plan approved by a qualified redevelopment consultant which demonstrates the Agency's continuing ability to pay debt service on the Bonds. See "THE PROJECT AREA – Redevelopment Plan Limitations" and APPENDIX D – "SUMMARY OF THE INDENTURE – Covenants of the Issuer – Annual Review of Tax Revenues."

Redevelopment Time Limits

AB 1290. In 1993, the State Legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt. Pursuant to AB 1290, the Agency amended its Redevelopment Plan for the Project Area to impose such tax time limits. The Redevelopment Law allows the further extension of these dates if certain findings can be made as to each of the plans. The Agency amended the Redevelopment Plan again to extend these limits. Accordingly, the time limit for Plan activities (for the Original Project Area) is June 12, 2012 and the time limit to repay debt or receive property taxes is June 12, 2022.

SB 211. In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 ("**SB 211**"), which authorized, among other things, a legislative body to delete by ordinance the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. In addition, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency is required to make certain findings of blight in the applicable project areas. If a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency is required to make certain additional statutory pass through payments to other taxing entities.

On January 6, 2004, the Agency adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Agency's authority to incur loans, advances and

indebtedness with respect to the Original Project Area. Prior to the June 12, 2012 termination date for the Redevelopment Plan for the Original Project Area, the Agency intends to extend the time limit for Redevelopment Plan activities and the time limit for receipt of tax increment revenues for the Original Project Area by 10 years and increase the cumulative tax increment revenue Plan Limit. For the 2002 Amendment Area, the time limit for the establishment of loans, advances and indebtedness is July 24, 2021.

SB 1045; SB 1096. Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 (“**SB 1045**”) provides, among other things, that, for the purpose of determining whether the limit on the tax increment revenue that may be allocated to the Agency has been reached, the aggregate amount of Education Revenue Augmentation Fund (“**ERAF**”) payments made by the Agency in prior fiscal years from tax increment revenue may be deducted from the amount of tax increment revenue deemed to have been received by the Agency. SB 1045 also permits the redevelopment plan to be amended to add one year to the duration of the plan and to the period for collection of tax increment revenues and the repayment of debt. The Agency has amended Redevelopment Plan for the Project Area to add one year the Redevelopment Plan’s effectiveness date and tax increment collection date.

Legislation passed in 2004 (“**SB 1096**”) permits redevelopment agencies to extend their ability to collect tax increment in certain project areas by one year for each ERAF payment made in Fiscal Year 2004-05 and 2005-06. The extensions apply by right to plans with existing limits on the effectiveness of the plan that are less than 10 years from the last day of the Fiscal Year in which the ERAF payment is made. Plans that have effective dates expiring between 10 and 20 years from the last day of the Fiscal Year of the ERAF payment may also be extended by one year, but only if certain findings are made by the Agency. Those findings are that (1) the Agency is in compliance with the 20% Housing Set-Aside requirements; (2) the Agency is in compliance with the Implementation Plan requirements of the Redevelopment Law; (3) the Agency is in compliance with the inclusionary housing and replacement housing requirements of the Redevelopment Law; and (4) the Agency is not subject to sanctions for having an excess surplus in the 20% Housing Set-Aside Fund. The Agency has amended Redevelopment Plan for the Original Project Area to add one year the Redevelopment Plan’s tax increment collection date. The 2002 Amendment Area was not eligible for extension of plan limits under SB 1096.

Although, as described above, SB 1045 and SB 1096 permitted the Agency to extend certain redevelopment plan time limits after making ERAF payments, the Fiscal Year 2008-09 ERAF payment will not trigger any time limit extensions. The amount of the Fiscal Year 2008-09 ERAF payment may, however, be deducted from the revenue counted towards the Plan Limit.

Current Plan Limits. See “THE PROJECT AREA – Redevelopment Plan Limitations” for the plan limitations applicable to the Project Area.

Low and Moderate Income Housing Fund

Under Section 33334.2 of the Redevelopment Law, redevelopment agencies in California are generally required, unless certain annual findings are made, annually to set aside 20% of all property tax increment revenues allocated to the Agency pursuant to the Redevelopment Law and to deposit said revenues in a Low and Moderate Income Housing Fund (the “**Housing Set-Aside**”) to be used within the jurisdiction of the Agency to increase, improve, and preserve the community's supply of low and moderate income housing. **Tax increment revenue required to be set aside for low and moderate income housing**

purposes is not included in Tax Revenues and is not available to pay debt service on the Series 2009T Bonds.

On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., which increased the Housing Set-Aside from 20% to 25% for those project areas in which the debt coverage ratio of the project area equals or exceeds 120%. The Resolution further provides that the increase in the Housing Set-Aside is subordinate to all existing and future tax allocation bonded indebtedness the Agency may issue or incur for such project area, and that all Agency debt service (including debt service on the Series 2009T Bonds) will be paid on a superior basis to the additional 5% housing set-aside.

Redevelopment agencies are monitored by the State Department of Housing and Community Development to ensure that they do not build up unexpended and unencumbered housing funds beyond a certain level. Agencies that exceed this level are found to have an 'excess surplus' of housing funds and must eliminate that condition or face penalties, including the inability to further collect tax increment. The Agency maintains an active housing program and reports that it does not have, nor does it expect to have, an excess surplus condition.

Pass Through Obligations

The Agency is obligated to pay a portion of the tax increment generated in the Project Area to taxing agencies within the boundaries of the Project Area. See "THE PROJECT AREA – Statutory Tax Sharing." The Agency's obligation to make pass through payments to these taxing agencies is senior to the Agency's obligation to pay debt service on the Series 2009T Bonds.

SB 2557

SB 2557, enacted in 1990 (Chapter 466, Statutes of 1990) authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities that are subject to a property tax administration charge. The County collects property tax administration costs from the Agency by deducting such costs from tax revenues prior to delivering such amounts to the Agency. For Fiscal Year 2007-08 the County's administrative fee for the Project Area was approximately 0.61% of Fiscal Year 2007-08 gross tax increment revenues.

Future Initiatives and Legislation

Propositions 13, 4, and 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting tax increment revenue or the Agency's ability to expend tax increment revenue.

Similarly, the Redevelopment Law can be amended at any time by the California Legislature. Any such amendment could affect the Agency's future tax increment revenue, or the Agency's ability to expend tax increment revenue.

SPECIAL RISK FACTORS

Investment in the Series 2009T Bonds involves risks. The following information should be considered by prospective investors in evaluating the Series 2009T Bonds. However, this is not an exclusive listing of risks and other considerations that may be relevant to investing in the Series 2009T Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

The various legal opinions to be delivered concurrently with the issuance of the Series 2009T Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Tax Increment Revenue Limitation

The Agency's ability to collect tax increment is limited not only by the time limits on the repayment of debt, but also by the \$1,348,862,000 Plan Limit applicable to the Original Project Area. The Plan Limit applies not only to Tax Revenues available to pay debt service on the Bonds but also to tax increment the Agency (i) deposits into the Agency's Low and Moderate Income Housing Fund and (ii) uses to pay pass-through obligations and the County's tax administration fee. Based on County records, as of June 30, 2008, the Agency has received \$682,744,822 of tax increment revenue from the Original Project Area. Also, Health and Safety Code Section 33354.6 allows a redevelopment agency to amend a redevelopment plan to increase the cumulative tax increment limit, if certain findings are made. The Agency intends to adopt such an amendment and increase the Redevelopment Plan's cap on tax increment prior to the June 12, 2012 Redevelopment Plan time limit for the Original Project Area.

The Fiscal Consultant projects that the Plan Limit will be reached in Fiscal Year 2019-20. In the event that the Agency reaches the Plan Limit, it would not collect any additional tax increment from the Original Project Area to pay debt service on the Series 2009T Bonds. In the Indenture, the Agency covenants to take certain actions to avoid reaching the Plan Limit prior to paying debt service on the Bonds. See "LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation" and "THE PROJECT AREA – Redevelopment Plan Limitations."

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Series 2009T Bonds, the Agency has made certain assumptions with regard to the assessed valuation of taxable property in the Project Area, future tax rates, growth in tax revenues over time, percentage of taxes collected, the amount of funds available for investment and the interest rate at which those funds will be invested. See APPENDIX C — "REPORT OF THE FISCAL CONSULTANT." The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentages collected, the amount of the funds available for investment or the interest rate at which they are invested, are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Series 2009T Bonds will, in all likelihood, be less than those projected herein. See "DEBT SERVICE COVERAGE PROJECTIONS" and "THE PROJECT AREA – Projected Tax Revenues."

Reduction of Tax Revenues

Tax increment revenue allocated to the Agency is determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as a downturn in the local economy, relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Revenues that secure the Bonds. Such reduction of Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Series 2009T Bonds.

As described in greater detail under "LIMITATIONS ON TAX REVENUES – Property Tax Limitations – Article XIII A" below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues securing the Series 2009T Bonds.

In addition to the other limitations on and State required set-asides of tax increment revenue described in this Official Statement under "LIMITATIONS ON TAX REVENUES," the State electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing tax increment revenues payable to the Agency. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the tax increment revenue and adversely affect the security of the Series 2009T Bonds.

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the County-wide unitary values assigned to public utilities was allocated to the Project Area. For Fiscal Year 2007-08, \$2,740,501 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. The extent of any such impact would depend on the proportion of the Project Area's unitary revenue to the total tax revenues generated in the Project Area. For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" and "–Unitary Property."

Appeals to Assessed Values

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the County Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the County Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional

new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the Alameda County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Alameda County Assessor's Office (the "**County Assessor**"), the County Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. See "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" and "THE PROJECT AREA – Assessment Appeals."

An appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant property owner. ***A reduction in taxable values within the Project Area and the refund of taxes which may arise out of successful appeals by these owners will affect the amount of Tax Revenues.***

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within the Project Area. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Reduction in Inflation Rate

As described in greater detail in this Official Statement, Article XIII A of the California Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article

XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Any resulting reduction in the full cash value base over the term of the Series 2009T Bonds could reduce Tax Revenues. See “LIMITATIONS ON TAX REVENUES — Property Tax Rate Limitations-Article XIIIA.”

Levy and Collection of Taxes

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Series 2009T Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments. The County has elected to follow the procedures of the Teeter Plan, pursuant to which it allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, there can be no assurance the County will continue such practice. See “THE PROJECT AREA – Teeter Plan.”

Bankruptcy and Foreclosure

The payment of the tax increment revenue and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Series 2009T Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2009T Bonds and the possibility of delinquent tax installments not being paid in full.

Factors Relating to Sub-Prime Loans

Since the end of 2002, many homeowners have financed the purchase of their new homes using loans with little or no down payment and with adjustable interest rates that are subject to being reset at higher rates on a specified date or on the occurrence of specified conditions. Some homeowners who purchased their homes with “sub-prime loans” have begun to experience difficulty in making their loan payments due to automatic rate increases on their adjustable loans and rising interest rates in the market, which could lead to increased foreclosures.

In addition, as a result of increasing defaults on “sub-prime loans” in recent months, credit has become more difficult and more expensive to obtain, not only in the residential market, but also in the commercial, retail and industrial sectors. Unavailability of loans for the purchase and development of real property in the Project Area may adversely impact assessed values.

State Budget Deficit and ERAF

General. In approving recent budgets, the State Legislature has enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each redevelopment agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("**ERAF**"). The amount required to be paid by a redevelopment agency was apportioned based on tax increment collected.

Historical ERAF Payments. In approving the budget for Fiscal Year 2003-04, the Legislature fixed the aggregate ERAF transfer for the year at \$135 million. In connection with its approval of the budget for Fiscal Year 2004-05, the Legislature fixed the ERAF transfer at \$250 million each for Fiscal Year 2004-05 and 2005-06. In so doing, the Legislature also authorized redevelopment agencies to extend the effective dates of their redevelopment plans. The amounts paid into ERAF are deducted from the cumulative tax increment revenue receipts applied to the Plan Limit. See "FACTORS AFFECTING TAX ALLOCATION FINANCING – Redevelopment Time Limits."

The Agency has made all of its ERAF payments prior to the respective deadlines. The Agency made ERAF payments of \$2,380,469 for Fiscal Year 2003-04, \$4,706,826 for Fiscal Year 2004-05, and \$4,669,367 for Fiscal Year 2005-06.

Fiscal Year 2008-09. In approving the budget for Fiscal Year 2008-09, the State Legislature, in Assembly Bill 1389 ("**AB 1389**"), fixed an aggregate ERAF transfer for Fiscal Year 2008-09 at \$350 million, of which the Agency is obligated to pay approximately \$8,456,590 as its allocated share. Unlike prior years, there is no redevelopment plan time limit extension for agencies making the ERAF payment. In calculating Fiscal Year 2008-09 tax increment revenues, the Fiscal Consultant has assumed a \$8,456,590 ERAF transfer by the Agency.

The California Redevelopment Association and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the AB 1389 provisions requiring the \$350 million shift of tax increment revenues from redevelopment agencies to ERAF.

The following disclosure did not appear in the Preliminary Official Statement: On April 30, 2009, the Superior Court filed a ruling (the "**ERAF Ruling**") in favor of the plaintiffs and held that the required ERAF transfers from redevelopment agency revenues was unconstitutional. It is expected that the State will appeal the ERAF Ruling, but unless the ERAF Ruling is overturned, the Agency will not be responsible for an ERAF payment in Fiscal Year 2008-09.

Future ERAF Payments. The Governor's proposed budget for Fiscal Year 2009-10 does not require additional ERAF transfers, and the ERAF Ruling prohibits additional ERAF transfers from redevelopment agencies. For the purpose of projecting future Tax Revenues, the Fiscal Consultant has assumed no ERAF transfers in future fiscal years. However, the State's structural deficit has yet to be resolved, the State's projected budget deficits continue to be substantial and these deficits may lead to subsequent ERAF transfers (if the ERAF Ruling is overturned) or other actions which might reduce the Agency's Revenues and the Agency's ability to pay principal and interest on the Bonds and Parity Obligations.

Future legislation, litigation and other measures affecting the Agency's receipt of Revenues in connection with the State budget situation cannot be predicted and may materially

and adversely affect the Agency's ongoing ability to pay principal and interest on the Bonds and Parity Debt. Prospective purchasers of the Series 2009T Bonds may wish to review information presented by the State at www.dof.ca.gov (maintained by the State Department of Finance) and www.lao.ca.gov (analysis by the State Office of the Legislative Analyst). The Agency does not prepare such information and cannot assume any responsibility for its accuracy, completeness or timeliness (or the continued accuracy of internet address information). Whether or not this information is accurate, complete or timely, prospective purchasers of the Series 2009T Bonds should observe that the posting or release of such information may change the perceived outlook for the Agency's continued receipt of Revenues and thus the market price for the Bonds.

Seismic Factors

The assessed valuation of properties in the Project Area could be substantially reduced as a result of a major earthquake proximate to the Project Area. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Project Area. The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault, resulted in substantial damage to the infrastructure and property in the City. In addition to the San Andreas Fault, faults that could affect the Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. If there were to be an occurrence of severe seismic activity in the Project Area, there could be a negative impact on assessed values of taxable values of property in the Project Area and could result in a reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the Series 2009T Bonds.

Changes in the Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Revenues, and consequently, have an adverse effect on the Agency's ability to pay debt service on the Series 2009T Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2009T Bonds or, if a secondary market exists, that the Series 2009T Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Statement of Indebtedness

Under Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Project Area by October 1, each year. The statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year. See "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures – Filing of

Statement of Indebtedness.” In the event the Agency were to fail to file an annual statement of indebtedness, the Agency’s activities could be severely restricted.

Parity Obligations

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS — Additional Parity and Subordinate Debt,” the Agency may issue or incur obligations payable from Tax Revenues on parity with its pledge of Tax Revenues to payment of debt service on the Series 2009T Bonds. The existence of and the potential for additional Parity Obligations increases the risks associated with the Agency's payment of debt service on the Series 2009T Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

Series 2009T Bonds Are Limited Obligations

The Series 2009T Bonds are special, limited obligations of the Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Agency, and none of the City, the State or any of their political subdivisions other than the Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the Series 2009T Bonds are payable solely from Tax Revenues allocated to the Agency from the Project Area and certain other funds pledged therefor under the Indenture. The Series 2009T Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2009T BONDS.” No Owner of the Series 2009T Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on the Series 2009T Bonds.

Limited Recourse on Default

If the Agency defaults on its obligations to make debt service payments on the Series 2009T Bonds, the Trustee, as assignee of the Agency, has the right to accelerate the total unpaid principal amount of the Series 2009T Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the Series 2009T Bonds.

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THE PROJECT AREA

General

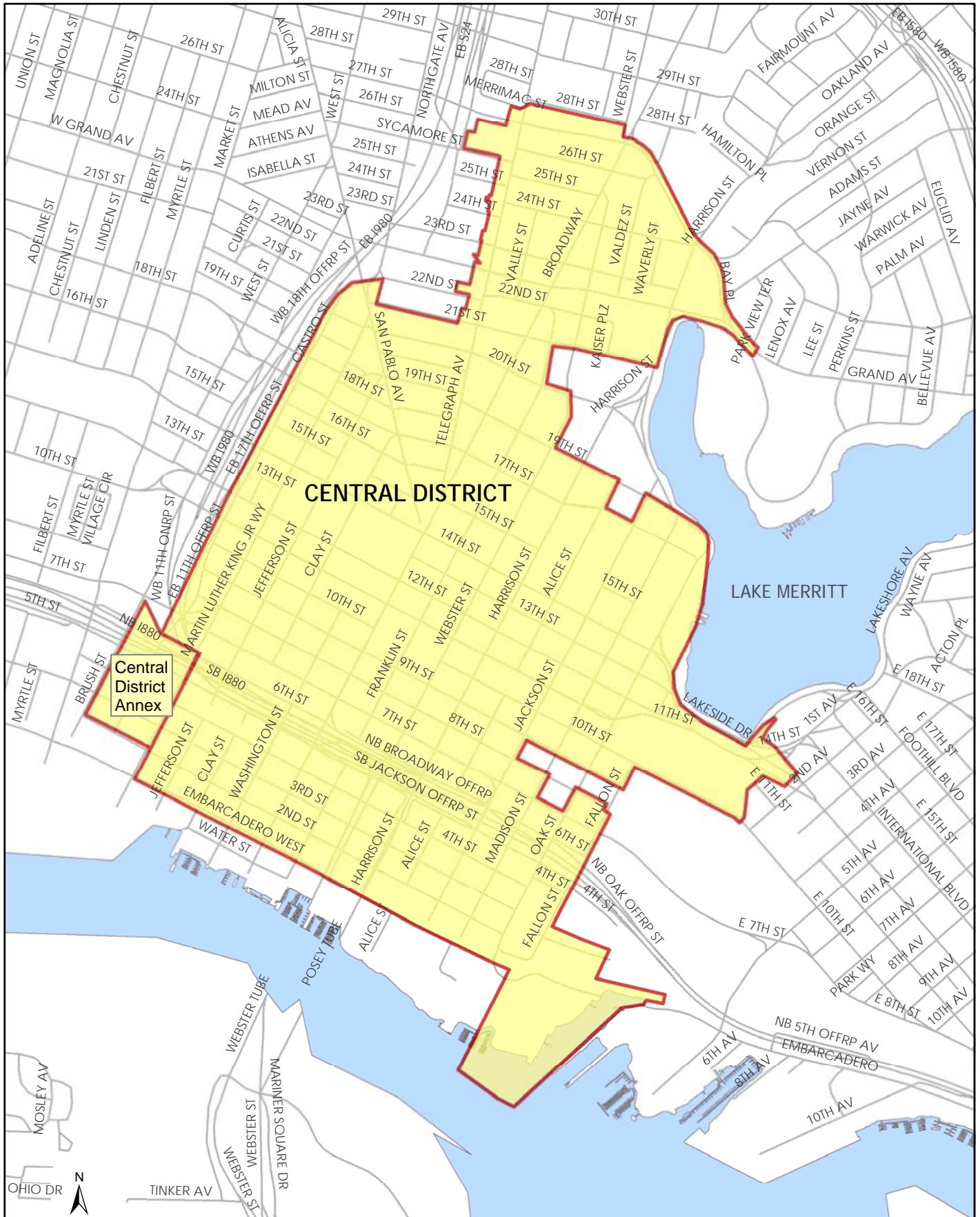
The Project Area encompasses an area of approximately 828 acres, covering approximately 300 City blocks, including the entire Central Business District. The Project Area is the economic and transportation hub of the East Bay portion of the San Francisco-Oakland Metropolitan Area. It contains nearly 27 major office buildings of over 100,000 square feet each with approximately 10.5 million total square feet of rentable class A and B office space. The Project Area is comprised of two major sub-areas, City Center and Lake Merritt. The City Center area has shown decline in the vacancy rate over the last three quarters in 2008; falling from 13.4% to 11.3% from June to December. The Lake Merritt area has had higher vacancy rates, but this is primarily due to the addition of 218,000 square feet of office space at Center 21, 2100 Franklin Street, in late 2007. The vacancy rate in the Lake Merritt area also fell over the last three quarters in 2008; falling from 15.2% to 13.3%.

The Project Area is at the heart of the BART transit system, having three stations located within its boundaries. More than 30 bus lines connect the Project Area with other parts of Oakland and nearby communities. Access to the Project Area is served by the John B. Williams Freeway (Interstate 980) and Interstate 880. Following is a map of the Project Area.

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City of Oakland

- Central District Redevelopment Project Area -



Action Areas

Within the Project Area are four major redevelopment action areas: City Center, Chinatown, Old Oakland and Uptown. These four areas surround the 48,000 square foot Oakland Convention Center-Marriott City Center Hotel Complex, which was developed with Agency financial assistance. These areas are in turn surrounded with commercial and residential neighborhoods that have also been the focus of recent developments. The Agency is continuing with plans to develop housing, commercial and retail business in the Project Area.

City Center. The City Center action-area is a major mixed-use, multi-purpose development on a 5-block site assembled by the Agency. It consists of five major elements: (i) six blocks which are developed, owned and/or managed by various developers as retail, office and other commercial developments, including the international headquarters for the Clorox Company and the 555 City Center building, a 470,000 square-foot office development by the Shorenstein Company; (ii) the two blocks developed by DWA-Fed Oak for the 700,000 gross square-foot Ronald V. Dellums Federal Building; (iii) the City Center West Garage (a 1,452-space garage owned by the Agency); (iv) three blocks in development: two under a Disposition and Development Agreement with the Shorenstein Company for 1.2 million square-feet of office space including the first of which was sold in 2008 and construction has commenced but is on hold due to market conditions, and a third block under construction pursuant to a Disposition and Development Agreement with The Olson Company, for the development of 252 condominium units on the City Center T-10 Site; and (v) the three blocks of Preservation Park consisting primarily of office space leased to nonprofit organizations) plus Landmark Place (a half-block to be built out with a 92-unit residential condominium complex, which was completed in January 2004 and which sold out in under four months).

Chinatown. The Chinatown action area is a multi-phased development on a four-block site assembled by the Agency. The first phase consisted of a six-story podium covering one city block, with the lower floors designed for commercial, retail and restaurant use and the upper floors for office use construction was completed in late 1982. The second phase consisted of the construction of Pacific Renaissance Plaza, which is a mixed-use development of 250 units of housing, 100,000 square feet of commercial space and 500 subsurface parking spaces. The last phase of this development consisted of the construction of the 162-room Courtyard by Marriott hotel which was completed in 2002 and the 88-unit Franklin 88 residential condominium project, including approximately 5,800 square feet of commercial space, and an Agency-owned 135-space public parking garage, which was completed in October 2004.

Old Oakland. Old Oakland, started in 1978, consists of the rehabilitation/restoration of eleven mid-to-late nineteenth century Victorian commercial structures. More recent redevelopment projects include Old Town Square, completed in 1998 (a 98-unit residential condominium project); Swan's Market, completed in 2001 (a mixed-use project with 18 affordable rental housing units, 20 condominiums, 25,000 square feet of retail space and 17,000 square feet of office space), and Market Square, the first phase of which was completed in June 2006 (116 units) and the second phase of which was completed in late 2007 (86 units).

Uptown. In 2008 Uptown Housing Partners, LLC, a single-purpose entity created by Forest City Residential West, and the Agency completed development on 665 units of rental housing, 9,000 square feet of retail space and a 25,000 square foot public park. The Agency has negotiated a separate Disposition and Development Agreement with Forest City Residential West for the construction of 175 to 290 condominiums, including 20,000 square feet of retail, the

construction of which has been delayed due to the condition of the housing market. Other major projects in the area include: the City Administration Complex, the Rotunda Building (187,000 square feet of office space and 57,000 square feet of commercial space), Thomas Berkley Square Building (119,000 square foot County facility), Center Twenty One (195,000 sf office and 20,000 sf retail) completed in late 2007, and the Fox Theater Rehabilitation Project (including restoration of the Theater into a live show entertainment venue and renovation of the wrap around buildings into a home for the Oakland School for the Arts) completed in late 2008. In addition, Thomas Berkley Square Condominiums (88 units) and Fox Court (80 rental units affordable at 25% to 60% of AMI) projects are both under construction and should be completed in 2009. In addition hundreds of construction jobs as well as permanent jobs have been created. These jobs have primarily gone to City and East Bay residents.

Recent Developments in the Project Area

The Agency's Façade and Tenant Improvement Programs have encouraged the rehabilitation of retail space through out the Project Area and have lead to a substantial decrease in the vacancy rates and an increase in value to commercial property values and an increase in sales tax. In the last two years 85 projects have been completed with the \$2.2 million in grants leveraging approximately \$15.9 million in private investment. In addition to the development projects in the action areas and the programs listed above, there have been a number of major projects in other parts of the Central District, including:

- 8 Orchids - 157 condominiums completed in 2007;
- 200 Second Street- 74 condominiums completed in 2007;
- Jade - 77 condominiums completed in 2007;
- Market Square Phase II – 86 condominiums completed in 2007;
- Broadway Grand Phase I - 132 condominiums completed in 2008, initially offered as rental units;
- The Ellington - 134 condominiums completed in 2008;
- Dwell@901 - 75 condominiums completed in 2008, initially offered as rental units;
- 100 Grand – 238 rental units scheduled for completion in 2009;
- 311 Second - 101 condominiums scheduled for completion in 2009;
- City Walk – 252 condominiums under construction, may initially be offered as rental units;
- Thomas Berkeley Square – 88 condominiums under construction; and
- Jackson Courtyard – 45 condominiums under construction.

The Fiscal Consultant has included additional assessed value of \$137.2 million to the tax roll projections for Fiscal Year 2009-10 with respect to the Broadway Grand and 100 Grand projects described above and the completed Uptown project described under “– Action Areas” above. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.” Other than the Broadway Grand, 100 Grand and Uptown projects, projections of tax revenues in the Project Area do not include any increase in assessed value resulting from completion of the projects listed. Neither the Agency nor the Fiscal Consultant can guarantee that these projects will be completed as described or on schedule, or what, if any, increases in assessed value will result from their completion.

Controls, Land Use and Building Restrictions

The Central District Urban Renewal Plan (the “Plan”) designates five major use areas that cover the entire Redevelopment Project Area: commercial, civic and institutional,

residential, general industrial and open space. The City's General Plan, Planning Code, Municipal Code, and other City codes and ordinances apply throughout the Project Area.

The Redevelopment Plan provides for the establishment of rehabilitation, acquisition and activity areas within the Project Area in which the Agency is empowered to employ various urban renewal techniques, including eminent domain. Four such action areas (described earlier) have been established. The Agency also has general redevelopment powers, including eminent domain authority, outside of these designated areas throughout the Project Area.

Redevelopment Plan Limitations

Background. The City Council adopted the Central District Urban Renewal Plan on June 12, 1969, and established the original boundaries of the Project Area (the “**Original Project Area**”). The plan was amended on August 3, 1982, to add territory to the Project Area (the “**1982 Amendment Area**”). The 1982 Amendment Area consists mainly of property owned by state and federal governmental agencies, and which are, therefore, not subject to property taxation. An additional area of 14.86 acres (the “**2002 Amendment Area**”) was added to the Project Area on July 24, 2001.

Summary Plan Data. Table 1 summarizes the Redevelopment Plan limits for the Project Area, including the 2002 Amendment Area.

Table 1
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Summary Plan Data ⁽¹⁾

	<u>Original Project Area</u>	<u>2002 Amendment Area</u>
Time Limit for Debt Issuance	Eliminated	July 24, 2021
Time Limit for Plan Activities	June 12, 2012	July 24, 2032
Time Limit for Receipt of Tax Increment	June 12, 2022	July 24, 2047
Maximum Tax Increment Collections	\$1.348 billion	No limit

(1) Does not set forth limitations with respect to the 1982 Amendment Area, which increased the Project Area by approximately 55 acres. The 1982 Amendment Area was initially exclusively government-owned, and thus generated no tax increment. Since then, two parcels have been conveyed to private owners, and the area produces a negligible amount of tax increment. Total tax increment collected from the 1982 Amendment Area cannot exceed \$75 million.

Plan Limit. The Fiscal Consultant has calculated that, if assessed values were to grow at 2% per year, the Original Project Area would reach the cumulative tax increment revenue limit of \$1.348 billion (the “**Plan Limit**”) in Fiscal Year 2019-20. The Plan Limit does not apply to the 2002 Amendment Area and does not include \$75 million in tax increment revenue limit that applies to the 1982 Amendment Area. In the event that the Agency reaches the Plan Limit, it would not collect any additional tax increment from the Original Project Area to pay debt service on the Series 2009T Bonds.

Under the Indenture, the Agency has covenanted as follows with respect to the Plan Limit:

(i) The Agency will manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds (i.e., the Series 2009T Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture) and any outstanding Parity Debt when due.

(ii) The Agency will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), as well as future cumulative Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of Tax Revenues to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to 90% of the amount remaining under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues) to fall below the remaining cumulative Annual Debt Service, estimated future fees of the Trustee and any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds, the Agency will either –

(A) defease Bonds or other Parity Debt by depositing an amount of Tax Revenues equal to the amount that is required to ensure continuing compliance with clause (i) above (by defeasing Bonds or other Parity Debt) in a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Bonds or other Parity Debt, which escrow shall be invested in non-callable Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Bonds or other Parity Debt, or

(B) adopt a plan approved by an Independent Redevelopment Consultant which demonstrates the Agency's continuing ability to pay debt service on the Bonds. In determining the amount to be deposited in escrow with the Trustee, the Agency shall not take into account any actual or projected interest earnings on the amounts so deposited.

(iii) The Agency will annually no later than December 1 (commencing December 1, 2010), transmit to the Trustee, a Written Certificate of the Agency setting forth the calculation described above, including the remaining Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from tax increment revenues, remaining tax increment under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), the amount of tax increment revenues allocated to the Agency during the one year period covered by the statement, and the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Bonds. The Agency agrees that the information provided to the Trustee in such Written Certificate will be included in each annual report provided pursuant to the Continuing Disclosure Certificate (see "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE").

Statutory Tax Sharing

In adopting the provisions of SB 211 eliminating the time limit on debt incurrence (see “TAX REVENUE LIMITATIONS – Redevelopment Time Limits” above), the Agency triggered statutory tax sharing for the Original Project Area, commencing with Fiscal Year 2004-05, with those taxing entities that do not have tax sharing agreements with the Agency. Under current law, the statutory pass-through payments for the Original Project Area are effective until the time limit on plan effectiveness which is currently June 12, 2012. However, legislation (Senate Bill 530) has been introduced that would, if adopted, extend the payments until the last date to repay debt with tax increment, which is currently June 12, 2022 for the Original Project Area. The 2002 Amendment Area is subject to statutory tax sharing under Section 33607.5 of the Redevelopment Law. Because no taxing entities had tax sharing agreement with the Agency, all of the Agency’s tax-sharing entities are eligible to receive statutory pass-through payments.

Statutory tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective, and, unless subordinated by the entities receiving the tax sharing payments, is senior to the obligations of a redevelopment agency with respect to bonded indebtedness. *The Agency has not obtained, and does not expect to obtain, the subordination of such statutory tax sharing payments to the Agency’s obligations with respect to the Bonds.*

Based on calculations performed by the County and the Fiscal Consultant, the Agency’s net pass-through payment obligation to the taxing entities eligible for statutory payments for Fiscal Year 2008-09 is expected to be approximately \$3,555,000. Pursuant to the formulas under AB 1290, the Agency will incur a secondary tier of pass-through payment obligations beginning in Fiscal Year 2014-15, and all statutory pass-through payments will increase in future years even if tax increment does not increase, but they will also increase as a result of tax increment increases. For more information, see APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

In connection with adoption of an ERAF obligation for Fiscal Year 2008-09 pursuant to AB 1389, the State Legislature required redevelopment agencies to report, by November 1, 2008, their prior-year statutory pass-through payments to taxing entities, and to obtain the concurrence of the county auditor-controller and of the State Controller’s Office with the report by February 1, 2009. AB 1389 further requires that the California State Controller prepare a report by February 1, 2009, which lists all redevelopment agencies that have not received such concurrence from the applicable county auditor or with respect to which the State Controller has withdrawn the finding of concurrence. AB 1389 provides that, if a redevelopment agency appears on the described list of the State Controller and is not subsequently removed from such list, then such redevelopment agency may not, among other things, issue tax allocation bonds, such as the Bonds described in this Official Statement.

The Agency has completed the calculations and payments required by AB 1389 and has received the applicable concurrence of the County Auditor. *The following disclosure did not appear in the Preliminary Official Statement:* The Agency was initially included on the list of redevelopment agencies not receiving concurrence of the State Controller. However, the Agency has since received confirmation from the State Controller that it has been removed from the list and has the required concurrence.

Historical and Current Tax Revenues

The Agency's primary source of funds to make payments of principal of, premium, if any, and interest on the Bonds is the Agency's share of *ad valorem* property tax revenues that 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 original base so established for the Project Area was the 1968-1969 assessment roll. When assessment rolls were converted in California 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 Redevelopment 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 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 will be apportioned to the taxing agencies levying the taxes and to the Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the 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 "SPECIAL RISK FACTORS — Reduction of Tax Revenues," "— Reductions in Unitary Values" and "— Levy and Collection of Taxes."

Table 2 below presents the taxable value of all property within the Project Area for Fiscal Years ended June 30, 2005 through June 30, 2009.

Table 2
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Property Taxable Values

<i>Secured</i> ⁽¹⁾	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Land	\$ 648,765,149	\$789,255,669	\$887,086,998	\$1,001,817,884	\$1,075,791,543
Improvements	2,266,594,204	2,407,310,147	2,626,809,606	2,960,305,611	3,201,364,132
Personal Property	28,048,236	31,599,936	32,697,514	41,939,628	29,737,050
Exemptions	<u>(239,926,626)</u>	<u>(262,466,469)</u>	<u>(313,144,912)</u>	<u>(357,124,398)</u>	<u>(307,752,849)</u>
Total Secured	<u>2,703,480,963</u>	<u>2,965,699,283</u>	<u>3,233,449,206</u>	<u>3,646,938,725</u>	<u>3,999,139,876</u>
<i>Unsecured</i>					
Land	18,223,522	52,491,047	52,028,589	36,866,215	32,529,564
Improvements	122,910,694	131,491,787	135,485,256	135,635,846	146,101,059
Personal Property	169,555,084	170,797,208	154,281,170	160,566,753	164,012,034
Exemptions	<u>(11,769,795)</u>	<u>(13,448,722)</u>	<u>(3,998,748)</u>	<u>(9,335,981)</u>	<u>(11,266,674)</u>
Total Unsecured	<u>298,919,505</u>	<u>341,331,320</u>	<u>337,796,267</u>	<u>323,732,833</u>	<u>331,375,983</u>
 GRAND TOTAL	 <u>\$3,002,400,468</u>	 <u>\$3,307,030,603</u>	 <u>\$3,571,245,473</u>	 <u>\$3,970,671,558</u>	 <u>\$4,330,515,859</u>
 Secured Growth %	 6.49%	 9.70%	 9.03%	 12.79%	 9.66%
Unsecured Growth %	(0.70%)	14.19%	(1.04%)	(4.16%)	2.36%
Overall Growth %	5.73%	10.15%	7.99%	11.18%	9.06%

(1) Secured values include state assessed non-unitary utility property.
Sources: County of Alameda and HdL Coren & Cone.

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Table 3 below reflects historical Tax Revenues received by the Project Area based on Fiscal Years ending June 30, 2004, through June 30, 2008. To date, the County has paid to the Agency the full amount of tax revenues available to the Agency based on the equalized roll, without regard to delinquencies in tax collection.

Table 3
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Tax Revenues Received

	2003-04	2004-05	2005-06	2006-07	2007-08
Tax Increment Revenues	\$31,272,365	\$32,679,752	\$37,846,550	\$41,153,544	\$45,431,499
State Unitary Tax	2,347,743	3,225,070	2,206,520	2,127,996	3,398,489
Gross Tax Revenues	<u>\$33,620,109</u>	<u>\$35,904,822</u>	<u>\$40,053,070</u>	<u>43,281,540</u>	<u>48,829,988</u>
Less County Admin Fees	(308,587)	(371,194)	(349,762)	(309,561)	(298,784)
Less Housing Set-Aside (20%)	(6,724,022)	(7,180,964)	(8,010,614)	(8,656,308)	(9,765,998)
Less Tax Sharing Payments	<u>(55,992)</u>	<u>(450,112)</u>	<u>(1,252,915)</u>	<u>(2,116,429)</u>	<u>(3,122,659)</u>
Net Tax Increment Revenues	\$26,531,508	\$27,902,552	\$30,439,779	\$32,199,242	\$35,642,548

Totals may not add due to independent rounding.
Sources: County of Alameda and HdL Coren & Cone.

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Principal Taxpayers

The following Table 4 lists the major taxpayers and type of business in the Project Area in terms of their Fiscal Year 2008-09 assessed valuation:

Table 4
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
10 Largest Local Taxpayers
Fiscal Year 2008-09

<u>Taxpayers</u>	<u>Taxable Value</u>	<u>% of Total Value</u>	<u>% of Inc. Value</u>
OCC Venture LLC	\$199,325,379	4.60%	4.93%
Kaiser Foundation Health Plan Inc. ⁽¹⁾	190,232,809	4.39	4.71
1800 Harrison Foundation	119,541,603	2.76	2.96
Brandywine Ordway LLC	106,120,799	2.45	2.63
Brandywine Webster LP	104,257,246	2.41	2.58
Clorox Company	96,306,031	2.22	2.38
555 Twelfth Street LP	92,878,784	2.14	2.30
Uptown Housing Partners LP	83,606,000	1.93	2.07
Wm. Allegro LLC	62,100,390	1.43	1.54
Brandywine Operating Partnership	<u>56,100,000</u>	1.30	1.39
Top Ten Property Owner Totals:	\$1,110,469,041		
Project Area Totals:	\$4,330,515,859	25.64%	
Project Area Incremental Value:	\$4,039,494,629	27.49%	

(1) Owner has pending appeals on parcels.
Sources: County of Alameda and HdL Coren & Cone.

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Land Use

The following Table 5 presents the breakdown of land uses within the Project Area by parcel and taxable assessed value for Fiscal Year 2008-09. It is based on the lien date tax roll for Fiscal Year 2008-09.

Table 5
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Project Area Land Use Categories
Fiscal Year 2008-09

Land Use	No. of Parcels	Net Taxable Value	% of Total
Commercial	1,264	\$2,181,339,869	50.37
Residential	3,295	1,272,510,687	29.39
Unsecured	0	331,375,983	7.65
Vacant Land	407	319,983,413	7.39
Industrial	329	204,183,074	4.72
Institutional	50	14,483,391	0.33
Recreational	31	5,160,992	0.12
Exempt	192	0	0.00
SBE Nonunitary	0	1,478,450	0.03
Total	5,568	\$4,330,515,859	100.00%

Sources: County of Alameda and HdL Coren & Cone.

Assessment Appeals and Other Reductions in Value

Property tax values determined by the County Auditor-Controller 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 Agency. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT” for a discussion of assessment appeals within the Project Area.

In recent years, a number of taxpayer appeals have been filed in the City. These include taxpayers in the Project Area who have applied to the Alameda County Assessment Appeals Board for reductions in assessed value of their property. As of September 11, 2008, 82 appeals are pending in the Project Area. The pending appeals have a combined assessed value of \$260,260,872. The Fiscal Consultant conducted a review of the assessment appeal history in the Project Area and, based on that review, estimates that the total reduction in assessed value as a result of the appeals will be \$46,323,858 which will affect Fiscal Year 2009-10.

Only one top ten taxpayer (see Table 4 above), Kaiser Foundation Health Plan Inc. (“**Kaiser**”), had any pending appeals as of September 11, 2008. Kaiser has sought reductions in value on six separate parcels in the Project Area, and the aggregate reduction in taxable value sought is \$27,393,729. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

In addition to reviewing appeals, the Alameda County Assessor independently reviewed a total of 65,000 residential properties sold county-wide between July 2004 and December 2007 for possible downward value adjustments. The Assessor made value adjustments on 50,000 of these parcels which reduced the 2008-09 value on these parcels by \$3.1 billion (-1.71%) from the assessed values for 2007-08. Despite this action, residential assessed value within the Project Area for 2008-09 increased by \$134.8 million (11.9%) over the residential values for 2007-08.

Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the General Levy Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate. The Override Tax Rate is that portion of the tax rate that exceeds the General Levy Tax Rate in order to pay voter-approved indebtedness or contractual obligations that existed prior to the enactment of Proposition M. The tax rate for secured property is annually adjusted to reflect the Override Tax Rate levied for the current year. The tax rate for unsecured property is set as the previous year's tax rate on secured property. See "LIMITATIONS ON TAX REVENUES" and "SPECIAL RISK FACTORS – Reduction of Tax Revenues."

A constitutional amendment to the State Constitution approved in June 1983 allows the levy of Override Tax Rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation of override taxes to redevelopment agencies for repayment of indebtedness approved by the voters after December 31, 1988. The Override Tax Rates typically decline each year as a result of (1) increasing property values (which would reduce the Override Tax Rate needed to be levied to meet debt service) and (2) the eventual retirement of debt over time. Within the Project Area, four Override Tax Rates have been approved after December 31, 1988. These tax rates are for the Oakland Unified School District, the Peralta Community College District, the Bay Area Rapid Transit District and the City. These portions of the Override Tax Rate have been omitted from the calculation of projected Tax Revenues in the Report of the Fiscal Consultant. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that are applied to secured value in the Project Area for Fiscal Year 2008-09 are as follows:

Table 6
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Tax Rates

		<u>Fiscal Year of Termination</u>
General Levy	1.0000%	
East Bay Regional Park #1	.0100	2020-21
EBMUD Special District #1	.0064	2014-15
City of Oakland	<u>.1575</u>	2026-27
Total RDA Eligible Tax Rate:	1.1739	
Non-RDA Eligible Tax Rates		
Oakland U.S.D. Bonds	.0835	
Peralta Community College Dist.	.0362	
Bay Area Rapid Transit District	.0090	
City of Oakland	<u>.0354</u>	
Total Tax Rate:	1.3380%	

Sources: County of Alameda and HdL Coren & Cone.

Allocation of Taxes

The County Auditor-Controller is responsible for the aggregation of the taxable values assigned by the Assessor as of January 1st for property within the boundaries of the Project Area. This results in the reported total current-year Project Area taxable value, and becomes the basis of determining tax increment revenues due to the Agency. The County disburses secured, unsecured and utility tax increment revenue to all redevelopment agencies in two annual installments in December and June based on the surrendered roll value. Redevelopment agencies receive 100% of tax increment revenue allocations based on the surrendered roll without adjustment for assessment appeals or delinquencies occurring during the current year. Successful assessment appeals and delinquencies are reflected in the succeeding years' surrendered rolls. For discussion of pending appeals for reduction of assessed valuation in the Project Area, see "THE PROJECT AREA – Assessment Appeals." Unitary roll and supplemental assessment revenue are paid annually in two installments in January and June.

In Fiscal Year 2007-08, the County deducted 0.61% of gross tax increment revenues from the Project Area for administration costs. See "LIMITATIONS ON TAX REVENUES – SB 2557."

Teeter Plan

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, with respect to certain local agencies. Under the Teeter Plan, each participating local agency 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, which 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 and the Agency are not currently participants in the Teeter Plan. However, tax increment revenue disbursements from the County to the Agency occur in a manner similar to the Teeter Plan. It is possible that in the future, tax increment revenue disbursements will not occur in such manner. See "LIMITATIONS ON TAX REVENUES"– Property Tax Collection Procedures."

Projected Tax Revenues

The following table details projected Tax Revenues available for payment of debt service in the Project Area. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT." The projections start with Fiscal Year 2008-09 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a 1% tax rate. See " – Tax Rates."

Collection Rate: The Agency participates in a Teeter-like Plan and, consequently, the projections assume the Agency receives 100% of the tax increment allocated to the Agency based upon the property tax levy. See " – Teeter Plan."

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured property, a 2% inflation factor in Fiscal Year 2009-10 and thereafter. See "SPECIAL RISK FACTORS - Reduction in Inflationary Rate." Assessed values of unsecured property and state-assessed (non-unitary property) are assumed to remain at their estimated Fiscal Year 2008-09 levels.

Recent Transfers: Assessed values have been increased in 2009-10 by \$12,359,204 to reflect transfers that occurred between January 1, 2008 and November 15, 2008.

New Development: Assessed values have been increased in Fiscal Year 2009-10 by \$137.2 million to reflect new development in the Project Area. Five additional developments are expected to add \$94.2 million in assessed values by Fiscal Year 2010-11, but they have not been included in the projections. See " – Recent Developments in the Project Area."

Appeals: Assessed values have been reduced by an estimated \$46,323,858 in Fiscal Year 2009-10 as a result of pending assessment appeals. See “– Assessment Appeals.”

Housing Set-Aside: Required deposits into the Agency’s Low and Moderate Income Housing Fund in the amount of 20% of gross tax increment revenues, which is not available for payment of debt service on the Series 2009T Bonds, are subtracted in each fiscal year. See “– Low and Moderate Income Housing.”

County Administrative Charges: County administrative charges (also called SB 2557 fees) are projected at 0.61% of gross tax increment. See “– Allocation of Taxes.”

Tax Sharing Obligations: Payments related to the Agency’s statutory tax-sharing obligations are calculated based on statutory requirements and have been projected to expire in Fiscal Year 2019-20. The Agency is not a party to any negotiated pass-through agreements. See “– Statutory Tax Sharing.”

Cumulative Tax Increment Limit: The Fiscal Consultant projects that the cumulative tax increment Plan Limit for the Original Project Area will be reached in Fiscal Year 2019-20. See “– Redevelopment Plan Limitations.” Prior to the June 12, 2012 termination date for the Redevelopment Plan for the Original Project Area, the Agency intends to amend the Redevelopment Plan to increase the cumulative tax increment Plan Limit Original Project Area as provided by Health and Safety Code Section 33354.6. In the future, the Agency may extend the time limit for Plan activities by 10 years and increase the Plan Limit as provided by SB 211.

ERAF Payments: The projections do not include ERAF transfers in Fiscal Year 2008-09 or in future years and that there will be no transfers in future fiscal years. See “RISK FACTORS - State Budget Deficit and ERAF” for a description of a recent ruling finding ERAF transfers from redevelopment agencies to be unconstitutional. If ERAF transfers are held to be constitutional on appeal, the Agency’s \$8,456,590 ERAF transfer in Fiscal Year 2008-09 will be paid from cash on hand in the Agency’s current fund balance. The principal amount of the Series 2009T Bonds has been established in an amount which the Agency believes, assuming similar ERAF payments in future years, will allow it to have sufficient tax increment after payment of debt service on the Series 2009T Bonds to pay Agency administrative expenses, statutory pass-through obligations and future similar ERAF transfers, if any.

Table 7
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Projected Tax Revenues
Available for Payment of Debt Service
(000's omitted)

Fiscal Year	Total Taxable Value	Taxable Value Over Base	Gross Tax Revenue ⁽¹⁾	Housing Set-Aside	SB 2557 Charge	Statutory Tax Sharing Programs			Net Tax Revenues
						Tier 1	Tier 2	Tier 3	
2008-09	\$4,330,516	4,039,495	50,155	(10,031)	(306)	(3,555)	0	0	36,263
2009-10	4,516,612	4,225,590	52,309	(10,462)	(319)	(3,990)	0	0	37,538
2010-11	4,603,294	4,312,273	53,286	(10,657)	(325)	(4,190)	0	0	38,114
2011-12	4,691,710	4,400,689	54,282	(10,856)	(331)	(4,394)	0	0	38,701
2012-13	4,781,895	4,490,874	55,297	(11,059)	(337)	(4,601)	0	0	39,299
2013-14	4,873,883	4,582,862	56,332	(11,266)	(344)	(4,813)	(2)	0	39,907
2014-15	4,967,711	4,676,690	57,386	(11,477)	(350)	(5,028)	(186)	0	40,345
2015-16	5,063,416	4,772,395	58,461	(11,692)	(357)	(5,248)	(374)	0	40,791
2016-17	5,161,034	4,870,013	59,598	(11,920)	(364)	(5,476)	(565)	0	41,274
2017-18	5,260,605	4,969,584	60,760	(12,152)	(371)	(5,708)	(760)	0	41,769
2018-19	5,362,168	5,071,147	61,946	(12,389)	(378)	(5,945)	(960)	0	42,274
2019-20	5,465,762	5,174,740	63,156	(12,631)	(385)	(6,187)	(1,163)	0	42,789
2020-21	5,571,427	5,280,406	491	(98)	(3)	(98)	(16)	0	275
2021-22	5,679,206	5,388,185	504	(101)	(3)	(101)	(18)	0	281
2022-23	60,053 ⁽²⁾	44,273	513	(103)	(3)	(103)	(20)	0	284

(1) The Fiscal Consultant projects that the cumulative tax increment Plan Limit for the Original Project Area will be reached in Fiscal Year 2019-20. Under the Indenture, the Agency is required to annually calculate the cumulative Tax Revenues received and to escrow funds for the defeasance or redemption of the 2009T Bonds under certain circumstances. Prior to the June 12, 2012 termination date for the Redevelopment Plan for the original Project Area, the Agency intends to amend the Redevelopment Plan to increase the cumulative tax increment Plan Limit for the Original Project Area as provided by Health and Safety Code Section 33354.6. See "Redevelopment Plan Limitations – Plan Limit" above.

(2) Includes 1982 Amendment Area and 2002 Amendment Area only.

Source: HdL Coren & Cone.

THE AGENCY

Members, Authority and Personnel

The Agency was activated on October 11, 1956, by action of the Oakland City Council pursuant to the California Community Law. Effective December 31, 1975, the City Council declared itself to be the Agency. The members of the Agency include the President of the City Council, Jane Brunner as Chairperson of the Agency, and the other members of the City Council of the City of Oakland.

Agency staff services are provided by City staff under an agreement between the Agency and the City first entered into on December 1975. Such support includes project management, real estate acquisition and disposition, relocation, engineering and planning, legal, financing and fiscal services. Administration of the Agency's projects is a staff function within the City organization framework and has been the responsibility of the Community and Economic Development Agency.

Ron Dellums serves as Mayor and Chief Executive Officer of the Agency. He was elected in 2006 and his term commenced on January 1, 2007.

Dan Lindheim serves as City Administrator and Agency Administrator. He was appointed to the positions in January 2009. Mr. Lindheim oversees the day-to-day operations and service delivery of the City, and manages certain city-wide programs. As the City Administrator, he implements City Council policy and ensures fiscal soundness in both City and Agency operations.

Joseph T. Yew, Jr., serves as Finance Director/Treasurer of the City and Treasurer of the Agency. He was appointed to this position in February 2009. Mr. Yew oversees all aspects related to the financial operations of the City and the Agency. His financial management responsibilities include portfolio and debt management, tax collections, and risk management.

John Russo serves as City Attorney and Agency Counsel. He was elected as City Attorney in March 2000, and was appointed as Agency Counsel in September 2000 and sworn in, January 2001.

Walter Cohen serves as Director of the Community and Economic Development Agency of the City. He officially began working for the City on February 9, 2009.

Gregory Hunter serves as Deputy Director of the Community and Economic Development Agency of the City. He was appointed in July 2007.

Katano Kasaine serves as Treasury Manager. She was appointed to this position in October 2004. Ms. Kasaine manages all aspects of the City's treasury functions, including the issuance and administration of debt financings, management of the City and Agency's cash and investments, and oversight of city-wide payroll operations.

Powers

All powers of the Agency are vested in its eight members. They are charged with the responsibility of eliminating blight through the process of redevelopment. Generally, this process is culminated when the Agency disposes of land for development by the private sector. In order to accomplish this, the 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 Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, undertake environmental mitigation, grade and prepare the site 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 Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of 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 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 Agency has adopted Redevelopment Plans in designated project areas that authorize the use of the redevelopment process and procedures.

The Agency pays a portion of the City's personnel and pension costs based upon the time spent on Agency business by specific employees. The amounts contributed by the Agency can vary substantially from year to year. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION – Agency Pension Obligation" for a summary of the City's personnel and pension costs as of June 30, 2008.

Agency Finances

The Agency's audited financial statements for the Fiscal Year ending June 30, 2008, are found in APPENDIX B. The Agency's audited financial statements for the Fiscal Year ending June 30, 2008 have been audited by Macias, Gini & Company, LLP and Williams, Adley & Company, LLP, independent certified public accountants (collectively, the "**Auditor**"), as stated in the Auditor's report. *The Agency has not requested the Auditor's consent to the inclusion of its report in this Official Statement and the Auditor has not undertaken to update the financial statements included as APPENDIX B or their report. The Auditor expresses no opinion with respect to any event subsequent to its report.*

TAX MATTERS

The interest on the Series 2009T Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation ("**Bond Counsel**"), San Francisco, California, interest on the Series 2009T Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Series 2009T Bonds to be delivered on the date of issuance of the Series 2009T Bonds is set forth in Appendix E — "PROPOSED FORM OF BOND COUNSEL OPINION."

Owners of the Series 2009T Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009T Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs Owners of the Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed in this Official Statement.

CERTAIN LEGAL MATTERS

The validity of the Series 2009T Bonds and certain other legal matters are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX E to this Official Statement, and the final opinion will be made available to the owners of the Series 2009T Bonds at the time of delivery of the Series 2009T Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California, is also acting as disclosure counsel to the Agency.

Certain legal matters will be passed upon for the Agency by the City Attorney of the City, as Agency Counsel, for the Authority by the City Attorney of the City of Oakland in his capacity as Authority Counsel, and for the Underwriter by Lofton & Jennings, San Francisco, California. Additionally, certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, as disclosure counsel. Bond Counsel, Disclosure Counsel and Underwriter's Counsel will receive compensation that is contingent upon the sale

and delivery of the Series 2009T Bonds. Neither Bond Counsel nor Underwriter's Counsel undertakes any responsibility to the purchasers of the Series 2009T Bonds for the accuracy, completeness or fairness of this Official Statement.

THE AUTHORITY

The Authority was created by a Joint Exercise of Powers Agreement (the “**Agreement**”) by and between the Agency and the City. The Agreement was entered into pursuant to the provisions of Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “**JPA Law**”). The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City.

Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at a public or negotiated sale. The Series 2009T Bonds are not obligations of the Authority.

ABSENCE OF MATERIAL LITIGATION

No material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the Series 2009T Bonds, the corporate existence of the Agency, or the title of the officers of the agency who will execute the Series 2009T Bonds as to their respective offices. The Agency will furnish to the Underwriter of the Series 2009T Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2009T Bonds.

FINANCIAL ADVISOR

KNN Public Finance, A Division of Zions First National Bank, Oakland, California, has served as Financial Advisor to the Agency with respect to the sale of the Series 2009T Bonds. The Financial Advisor has assisted the Agency in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2009T Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Agency to determine the accuracy or completeness of this Official Statement. Due to their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the Agency contingent upon the sale and delivery of the Series 2009T Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of the holders and beneficial owners of the Series 2009T Bonds to provide certain financial information and operating data relating to the Agency each year by not later than the date which is nine months following the end of the Fiscal Year (the “**Annual Report**”), commencing with the report for Fiscal Year 2008-09, and to provide filed by the Trustee with each Nationally Recognized Municipal Securities Information Repository and with a State Depository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with the Municipal Securities Rulemaking Board. The

specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE”. The covenants set forth in the Continuing Disclosure Certificate of the Agency have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). Failure of the Agency to comply with these covenants does not constitute an Event of Default under the Indenture.

The Agency has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12(b)(5) to provide annual reports or notices of material events. However, in the past year, ratings downgrades of several bond insurers have resulted in ratings downgrades for Agency debt. The Agency has made all of the necessary material event filings with respect to these rating changes, but not all of the filings were made in a timely manner. The Agency has implemented new procedures to assure that such filings are made in a more timely manner in the future.

UNDERWRITING

The Series 2009T Bonds will be sold to the Authority and concurrently resold by the Authority to RBC Capital Markets Corporation, as the underwriter of the Series 2009T Bonds (the “**Underwriter**”) pursuant to a bond purchase contract (the “**Purchase Contract**”) among the Agency, the Authority and Underwriter. The Underwriter has agreed to purchase the Series 2009T Bonds for \$37,694,249.00 (which represents the \$38,755,000.00 aggregate principal amount of the Series 2009T Bonds, less an original issue discount of \$778,669.80 and less an Underwriter's discount of \$282,081.20).

The initial public offering prices of the Series 2009T Bonds may be changed from time to time by the Underwriter. The Purchase Contract for the Series 2009T Bonds among the Agency, the Authority and the Underwriter provides that the Underwriter will purchase all of the Series 2009T Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

RATING

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. (“**Standard & Poor's**”) has assigned the Series 2009T Bonds a rating of “A-”. A rating reflects only the view of the rating agency giving such rating and is not a recommendation to buy, sell or hold the Series 2009T Bonds. An explanation of the significance of the rating may be obtained from the rating agency as follows: Standard & Poor's Ratings Group, 55 Water Street, 38th Floor, New York, New York 10041. There is no assurance that such rating will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment circumstances so warrant. The Agency has not undertaken any responsibility to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2009T Bonds.

MISCELLANEOUS

All of the preceding summaries of the Series 2009T Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the Series 2009T Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not expressly stated, are set forth, as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by the Administrator of the Agency has been duly authorized by the Agency.

REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND

By: /s/ Dan Lindheim
 Agency Administrator

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

The following information concerning the City of Oakland and surrounding areas are included only for the purpose of supplying general information regarding the areas surrounding the Project Area. The Series 2009T Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

Overview

The City of Oakland (the “City”) is located in the County of Alameda (the “County”) on the east side of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area, the City has developed into a diversified financial, commercial and governmental center. The City is also the hub of an extensive transportation network, which includes a freeway system and the western terminals of major railroad and trucking operations, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State of California (the “State”).

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland (the “Port”). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a City-wide basis, governs the City. The Mayor is not a member of the City Council but is the City’s chief executive officer. The current Mayor, Ronald V. Dellums, is serving his first term, which expires in January 2011. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Courtney A. Ruby, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2013.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City. The current City Administrator is Dan Lindheim who was appointed in January 2009.

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under State law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning and general administrative services.

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco in Alameda County, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City's land uses range from industrialized lands bordering the Bay on the west to suburban foothills in the east. The City is served by two major interstate freeways, lies at the crossroads of the Bay Area Rapid Transit system and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is a strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace.

Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life, comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – according to the 2000 U.S. Census, ranked the eighth most educated in the nation.

All of these factors – combined with favorable weather, a vibrant waterfront, lush hills, plentiful open space, beautiful neighborhoods, panoramic vistas, and abundant cultural amenities – make Oakland a highly desirable place to live, work and do business.

The following represent some of the major projects recently completed, currently underway or in the final planning stages in the City.

Downtown Central District

- The Fox Theater, which is a national historic landmark, is undergoing renovation into a 750- to 3000-seat live performance venue as well as the home for the Oakland School for the Arts. The Fox Oakland is the largest historic theater renovation in America today and opened the Oakland School for the Arts in January 2009 and the Fox Theater in February 2009.
- The Uptown Housing Project Phase I will provide 665 rental apartments, of which 20 percent will be affordable housing for households earning less than 50 percent of the area's median income, 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. Phase II of the project will provide an additional 175-290 residential units and 20,000 square feet of retail space. Phase I of the project was completed with the grand opening in October of 2008.
- A new development has been proposed for Jack London Square that will feature 1.2 million square feet of mixed-use retail commercial, and office space, a 1,700 seat movie theater, a 250 room hotel, a supermarket, restaurants, and offices.
- Block T-12 of City Center was purchased by Shorenstein Properties LLC in December of 2007 and will be developed into a mixed-use facility offering 588,000 square feet of office space and 9,500 square feet of retail space. Construction started in October of 2008 but is currently on hold based on market conditions.

Central City East Projects

- Estuary Cove, a 1.1 acre site on Embarcadero Drive opened in 2007, includes a three-story 26,005 square foot building that houses new boat dealer, Starbucks, California Teachers Associations, Quiznos, and offices.

- Monte Vista Homes, where 545 residential units are currently under construction along with an already completed 6,000 square foot community center and 10,000 square feet of neighborhood-serving retail and commercial space.
- The Oak to Ninth Project is approximately 64 acres of waterfront property along the Oakland Estuary. The project includes up to 3,100 residential units including 465 affordable housing units, 200,000 square feet of ground-floor commercial space, a minimum of 3,950 parking spaces, approximately 32 acres of parks and public open space, two renovated marinas (total 170 boat slips), and an existing wetlands restoration area. The existing buildings on the site will be demolished with the exception of the Jack London Aquatic Center, a portion of the Ninth Avenue Terminal shed building, and a portion of the Ninth Avenue Terminal wharf structure. The project does not include approximately six acres of privately-held property along the east of Fifth Avenue that contain a mix of commercial and industrial uses, as well as a small community of work/live facilities. The project will be constructed in four phases over a seventeen year period.

Coliseum Area

- Lion Creek Crossings, a new development that includes 442 units of affordable rental and 28 units for first time home buyers received \$34.5 million of HUD funding and is expected to be completed by December 2010. Three phases of the project totaling 370 units along with over four acres of the new Lion Creek Park have been completed in 2008.
- Coliseum Transit Village, which will be used as a mixed-use, sustainable transit oriented development, including 390 units of market rate and senior housing and 20,000-30,000 square feet of neighborhood retail space.
- Coliseum Towne Center, which is estimated to be completed in March of 2010 and will include 166,000 square feet of proposed retail shopping center.

Broadway/MacArthur/San Pablo

- The Kaiser Hospital Master Plan includes construction of a new hospital building, parking structures, medical office, and administrative offices.

Oakland Army Base

- Wood Street is approved for 1,557 units of housing and 13,000 square feet of retail. In 2008, three projects were completed, including: (1) Zephyr Gate a 130 unit condominium project under construction with 25 units completed in FY 2007-08; (2) Pacific Cannery Lofts a 163 unit condominium project under construction in FY 2007-08; and (3) 14th Street Apartments at Central Station a 99 unit affordable housing project.

Other Developments

- Trader Joe's, a national specialty food retailer, opened two new locations in Oakland in 2007. The first, a 12,000 square-foot store on Lakeshore Avenue, opened in the Fall of 2007 and the second location, a 14,000 square-foot store, opened just one block north of the busy Rockridge BART station.
- Whole Foods, America's first national "certified organic" grocer, opened an Oakland location in the last quarter of 2007 in the Adams Point District. Modeled after a German food market and

constructed within an historic trolley barn, Oakland's Whole Foods is considered one of the finest food emporiums in the Bay Area.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2009, at 425,068. This figure represents 27.3% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown over 5.7% since 2000. The following table illustrates the City's population as well as the population of Alameda County and the State of California.

**Table A-1
City of Oakland, County of Alameda and State of California
Population**

Year	City	County	State
2000	402,100	1,454,300	34,336,000
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000
2006	411,755	1,510,303	37,172,015
2007	415,492	1,526,148	37,662,518
2008	419,095	1,537,719	37,883,992
2009*	425,068	1,556,657	38,292,687

*Preliminary.

Sources: The 2000 total are U.S. Census figures. The figures for the years 2002 through 2009 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

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Industry and Employment

The following Table A-2 compares estimates of the labor force, civilian employment and unemployment for City residents, State residents and United States residents between 2004 through 2008.

Table A-2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2004 Through 2008

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2004				
City	195,200	177,500	17,700	9.1%
State	17,552,300	16,459,900	1,092,400	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
City	192,900	177,600	15,300	7.9
State	17,695,600	16,746,900	948,700	5.4
United States	149,320,000	141,730,000	7,591,000	5.1
2006				
City	192,900	179,600	13,300	6.9
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
City	195,700	181,200	14,500	7.4
State	18,188,100	17,208,900	979,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008 [†]				
City	200,300	181,200	19,100	9.5
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8

[†] Most recent annual data available.

Source: State Employment Development Department, Labor Market Information Division.

The largest industries in the City, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

**Table A-3
City of Oakland
Employment by Industry Group
Annual Averages**

Industry Employment ⁽¹⁾	2003	2004	2005	2006	2007 ⁽²⁾
Agriculture	2,600	1,500	1,600	1,500	1,500
Natural Resources and Mining	900	1,200	1,100	1,200	1,200
Construction	67,100	69,800	72,800	73,300	72,400
Manufacturing	98,000	98,200	95,600	95,800	93,700
Trade, Transportation, Warehousing and Utilities	197,200	193,800	195,000	197,100	198,100
Information	32,600	31,300	30,700	30,100	29,400
Finance, Insurance, and Real Estate	67,700	67,600	69,500	67,700	62,300
Professional and Business Services	144,900	147,700	150,600	154,900	155,500
Education and Health Services	117,000	117,200	118,500	121,800	124,700
Leisure and Hospitality	80,400	80,600	83,000	85,600	87,500
Other Services	37,500	36,600	35,600	35,900	36,200
Government	179,700	179,700	180,000	182,000	186,800
TOTAL ⁽³⁾	1,028,200	1,025,200	1,033,700	1,046,900	1,049,100

⁽¹⁾ Based on place of work.

⁽²⁾ Most recent data available.

⁽³⁾ "Total" may not add due to independent rounding.

Source: State of California, Employment Development Department, Labor Market Information Division.

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The following table shows the major employers in the County as of January 2009, listed in alphabetical order.

Table A-4
County of Alameda
Major Employers (Listed alphabetically)
January 2009

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept	Pleasanton	Sheriff
Alta Bates Medical Ctr Inc	Berkeley	Hospitals
Alta Bates Summit Medical Ctr	Oakland	Laboratories-Medical
Bay Area Rapid Transit	Oakland	Marketing Programs & Services
Bayer Corp	Berkeley	Drug Millers (Mfrs)
Brita Water Co	Oakland	Water Companies-Bottled, Bulk, Etc
Clorox Technical Ctr	Pleasanton	Specialty Cng Plshng/Sanitation (Mfr)
East Bay Municipal Utility District	Oakland	Water & Sewage Companies-Utility
Grocery Outlet	Berkeley	Grocers-Retail
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Laboratories-Testing
New United Motor Manufacturing	Fremont	Automobile & Truck Brokers (Whol)
Novartis	Emeryville	Pharmaceutical Preparation (Mfrs)
Novartis Vaccines & Dgnstcs	Emeryville	Biological Products (Manufacturers)
Oracle	Pleasanton	Computer-Software Developers
Permanente Medical Group	Hayward	Physicians & Surgeons
Praedium Inc	Pleasanton	Real Estate
Residential & Student Svc Prog	Berkeley	Giftwares-Manufacturers
Transportation Dept-California	Oakland	State Government-Transportation Programs
Uc Berkeley Extension	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospitals
Western Digital Corp	Fremont	Computer Storage Devices (Manufacturers)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Principal Property Taxpayers

A summary of the Fiscal Year 2008-09 largest secured taxpayers in the City is presented below:

**Table A-5
City of Oakland
Largest Local Secured Taxpayers
Fiscal Year 2008-09**

	% of		
<u>Property Owner</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>Total ⁽¹⁾</u>
1. OCC Venture LLC	Office Building	\$ 199,325,379	0.52%
2. Kaiser Foundation Health Plan Inc.	Office Building	182,009,572	0.47
3. SIC Lakeside Drive LLC	Office Building	176,727,558	0.46
4. Oakland Property LLC	Office Building	162,302,400	0.42
5. 1800 Harrison Foundation	Office Building	119,541,603	0.31
6. Suncal Oak Knoll LLC	Residential	106,698,599	0.28
7. Brandywine Ordway LLC	Office Building	106,120,799	0.28
8. Brandywine Webster LP	Office Building	104,244,589	0.27
9. Clorox Company	Office Building	96,306,031	0.25
10. 555 Twelfth Street Venture LLC	Office Building	92,878,784	0.24
11. Uptown Housing Partners LP	Apartments	83,606,000	0.22
12. KSL Claremont Resort Inc.	Hotel/Resort	74,643,153	0.19
13. Owens Brockway Glass Container Inc.	Industrial	65,665,074	0.17
14. WM Allegro LLC	Apartments	62,100,390	0.16
15. Legacy Landing LLC	Apartments	57,765,035	0.15
16. Brandywine Operating Partnership	Office Building	56,100,000	0.15
17. Catellus Development Corporation	Industrial	52,255,450	0.14
18. Brandywine 1901 Harrison LLC	Office Building	52,020,000	0.14
19. Essex Portfolio LP	Apartments	49,590,000	0.13
20. Zhone Technologies Campus LLC	Office Building	<u>46,928,928</u>	<u>0.12</u>
		<u>\$1,946,829,344</u>	<u>5.06%</u>

⁽¹⁾ 2008-09 Local Secured Assessed Valuation: \$38,492,952,555.

Source: California Municipal Statistics.

Commercial Activity

Table A-6
City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2003-2007
(\$ in thousands)

Taxable Retail Sales	2003	2004	2005	2006	2007 [†]
Apparel Stores	\$48,401	\$47,989	\$52,853	\$54,090	\$58,448
General Merchandise	131,558	126,945	148,962	181,926	186,346
Food Stores	170,543	172,540	179,294	183,913	203,400
Eating & Drinking	368,871	379,758	403,583	433,736	465,224
Household	103,301	85,276	72,249	69,353	63,822
Building Materials	209,276	250,265	317,662	325,065	285,930
Auto Dealers and Supplies	534,496	512,749	512,545	543,896	572,407
Service Stations	310,513	315,573	376,643	404,202	513,570
Other Retail	468,034	502,893	531,027	481,694	434,795
SUBTOTAL	2,344,993	2,393,988	2,594,818	2,677,875	2,783,942
All Other Outlets	1,057,984	1,428,834	1,617,919	1,779,513	1,907,058
TOTAL ALL OUTLETS	\$3,402,977	\$3,822,822	\$4,212,737	\$4,457,388	\$4,691,000

† Most recent data available.

Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the City as estimated by the Construction Industry Research Board was approximately \$381 million as of 2008. The following Table A-7 provides an estimated building permit valuation summary for 2004 through 2008.

Table A-7
City of Oakland
Building Permit Valuation
for Years 2004- 2008⁽¹⁾
(\$ in thousands)

Year	Single Family		Multifamily		Value of Alterations/ Additions	Total Residential Valuation	Nonresidential Valuation	Total ⁽¹⁾
	Units	Valuation	Units	Valuation				
2004	351	\$82,007	890	\$104,611	\$65,087	\$251,705	\$125,838	\$377,542
2005	199	63,542	1,275	186,944	78,841	329,327	158,139	487,465
2006	217	64,059	2,137	295,256	67,494	426,809	119,700	546,509
2007	223	72,618	741	125,267	59,404	257,290	185,095	442,384
2008	126	33,282	642	101,479	64,903	199,664	181,513	381,177

⁽¹⁾ Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.

Source: Construction Industry Research Board.

FINANCIAL INFORMATION

City Investment Policy

The authority to invest the City’s pooled moneys (the “Pooled Operating Portfolio”) is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 *et seq.* of the Government Code of the State (the “Government Code”). The Government Code also directs the City to present an annual investment policy (the “Investment Policy”) for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2008-09 on June 10, 2008. The Investment Policy may be revised by the City Council at any time. The City expects to adopt an Investment Policy for Fiscal Year 2009-2010 in June of 2009.

The objectives of the Investment Policy are preservation of capital, liquidity, diversity, and yield. The Investment Policy addresses the soundness of financial institutions in which the City may deposit funds, types of investment instruments permitted by the City and the Government Code, investment duration and the amount which may be invested in certain instruments. The Investment Policy also reflects certain ordinances and resolutions of the City further restricting investments, including the Nuclear Free Ordinance and the Tobacco Divestiture Resolution. Summarized below are the permitted investments under the Policy.

Summary of Investment Policy (Fiscal Year 2008-09)

<u>Permitted Investment Types</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes & Bonds ⁽¹⁾	20%	5 years
Federal Agencies	None	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	None	360 days
Reverse Repurchase Agreements ⁽²⁾	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit ⁽³⁾	\$100,000	360 days
Local Agency Investment Fund	\$40 million	N/A
Local City / Agency Bonds	None	5 years
State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants	None	360 days
Other Local Agency Bonds	Prudent Person Standard Applies	5 years
Secured Obligations and Agreements	20%	2 years

⁽¹⁾ Investment in U.S. Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.

⁽²⁾ The sum of reverse purchase agreements and securities lending agreements should not exceed 20% of the portfolio.

⁽³⁾ For deposits over \$100,000, the Certificate of Deposit must be collateralized.

Current Investment Portfolio

Fitch Inc. (“Fitch”) assigned a managed fund credit rating of “AAA” and a market-risk rating of “V-1+” to the City’s Pooled Operating Portfolio on November 25, 2008. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of February 28, 2009. The City’s Pooled Operating Portfolio is invested in the Local Agency Investment Fund and other money market funds. As a result, the City may have some indirect exposure to mortgage-backed securities.

Fitch’s managed-fund credit ratings are an assessment of the overall credit quality of a fund’s portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch’s market-risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch’s managed-fund credit and market-risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

Table A-8
City of Oakland
Pooled Operating Portfolio
As of February 28, 2009

Investments	Market Value	Book Value	Percent of Portfolio	Term (Days)	Days to Maturity	360 Day Equivalent	365 Day Equivalent
Treasury Securities-Discount	\$ 2,998,125.00	\$ 2,994,100.00	1.25	177	81	0.401	0.406
Federal Agency Issues-Coupon	73,111,848.00	72,048,757.72	30.05	1,216	776	3.750	3.802
Federal Agency Issues-Discount	44,971,200.00	44,928,354.59	18.74	145	77	0.363	0.368
Money Market	52,110,000.00	52,110,000.00	21.73	1	1	0.858	0.870
Local Agency Investment Funds	36,998,158.10	37,000,000.00	15.43	1	1	2.672	2.709
Certificates of Deposit	699,000.00	699,000.00	0.29	176	39	3.294	3.340
Negotiable CD’s	<u>29,993,670.00</u>	<u>30,000,000.00</u>	<u>12.51</u>	<u>170</u>	<u>95</u>	<u>1.147</u>	<u>1.163</u>
TOTAL/AVERAGE	\$240,882,001.10	\$239,780,212.31	100.00%	417	261	1.952	1.979

Source: City of Oakland, Finance and Management Agency.

Agency Pension Obligation

The Agency pays a portion of the City’s personnel and pension costs based upon the time spent on Agency business by specific employees. The amounts contributed by the Agency vary from year to year. The City is a member of the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees. The City also maintains two closed pension systems, the Police and Fire Retirement System (“PFRS”) and the Oakland Municipal Employees Retirement System (“OMERS”). The Agency does not contribute to PFRS. In addition, the City offers post-retirement healthcare benefits to qualifying retirees.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System (“OMERS”) is a closed pension system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 78 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent

complete valuation was for the period ended June 30, 2005. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, and average increases of 3.0%. As of July 1, 2007, the actuarially determined surplus was \$1.855 million. During Fiscal Year 2007-08 the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS, as the plan is fully funded.

California Public Employees Retirement System. PERS is a defined benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970, as well as former members of PFRS and OMERS except those who have not elected to transfer from OMERS. PERS acts as a common investment and administrative agent for public entities participating with the state of California. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with PERS.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to PERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Historically, the City had paid the entire amount of its employees' contributions for miscellaneous and safety employees. However, under current bargaining agreements, sworn fire personnel contribute at a 4% rate and all non-sworn personnel make a 3% contribution since July 2002.

In Fiscal Year 2002, the City increased its benefits for public safety employees to provide 3.0% of highest salary per year of employment at age 55. In Fiscal Year 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for Fiscal Year 2009-10.

**Table A-9
Public Employees Retirement System
Contribution Rates
City of Oakland**

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-2010 (Projected)</u>
Miscellaneous Plan	15.04%	18.55%	17.48%	19.20%	19.55%	19.58%
Safety Plan	29.83%	29.71%	27.70%	27.01%	27.09%	27.88%

Source: California Public Employees' Retirement System.

PERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions include a 3.0% inflation rate and a 7.75% investment return.

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits,

and prior asset losses in PERS investments recognized on an actuarial basis over a three-year “smoothing” period.

Table A-10
Public Employees Retirement System Schedule of Funding Progress
Public Safety Employees
City of Oakland
(\$ millions)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL % of Payroll
<u>July 1</u>						
2003	\$631.5	\$454.7	\$176.8	72.0%	\$111.0	159.2%
2004	730.1	529.5	200.6	72.5	115.5	173.8
2005	820.6	602.4	218.2	73.4	122.9	177.6
2006	907.4	678.6	228.8	74.8	124.1	184.3
2007	989.1	757.3	231.8	76.6	127.4	181.9

Source: California Public Employees’ Retirement System

Table A-11
Public Employees Retirement System Schedule of Funding Progress
Miscellaneous Employees
City of Oakland
(\$ millions)

Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL % as of Payroll
<u>July 1</u>						
2003	\$1,197.3	\$1,010.7	\$186.7	84.4%	\$207.9	89.8%
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5
2005	1,397.2	1,156.7	240.5	82.8	206.3	116.6
2006	1,507.9	1,250.7	254.2	82.9	217.0	118.6
2007	1,617.2	1,353.8	263.8	83.7	225.7	116.9

Source: California Public Employees’ Retirement System

The following table represents the City’s annual contribution to PERS over the past five years:

Table A-12
Public Employees Retirement System
Annual Pension Cost
City of Oakland
(\$ millions)

Fiscal Year Ended	<u>Annual Cost</u>
<u>June 30</u>	
2004	\$48.4
2005	87.4
2006	95.0
2007	89.3
2008	97.9

Source: City of Oakland Comprehensive Annual Financial Reports.

For Fiscal Year 2007-08, the City’s contribution to PERS was \$97,863,350 million. The City’s unfunded liability with PERS, as of June 30, 2007, was \$231.8 million for the public safety (police and fire) retirement plan, resulting in a 76.6% funded status, and \$263.8 million for the miscellaneous retirement plan, resulting in a 83.7% funded status.

Other Post-Employment Benefits. The City has three programs in place to pay the partial costs of health insurance premiums for certain classes of retirees from City employment. Retirees meeting certain requirements relating to age and years of service are eligible for health benefits. The health benefits are extended to retirees pursuant to labor agreements between the City and certain of its employee labor unions and in resolutions of the City. Approximately \$10,966,605 was paid on behalf of retirees under these programs for the year ended June 30, 2008.

In August 2004, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 45 (“GASB 45”), “Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions” (“OPEB”) which addresses how state and local governments should account for and report the annual cost. GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under GASB 45, Annual OPEB cost for most employers will be reported based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods on the income statement.

The City implemented GASB 45 for the Fiscal Year ending June 30, 2008. As of June 30, 2008, the Actuarial Accrued Liability (the “AAL”), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was \$591,575,250. The plan was zero percent funded resulting in an unfunded actuarial accrued liability of \$591,575,250. Calculated at a 4.00% interest rate, the City’s annual required OPEB contribution is \$54,635,000.

APPENDIX B

**REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS FOR THE
FISCAL YEAR
ENDED JUNE 30, 2008**

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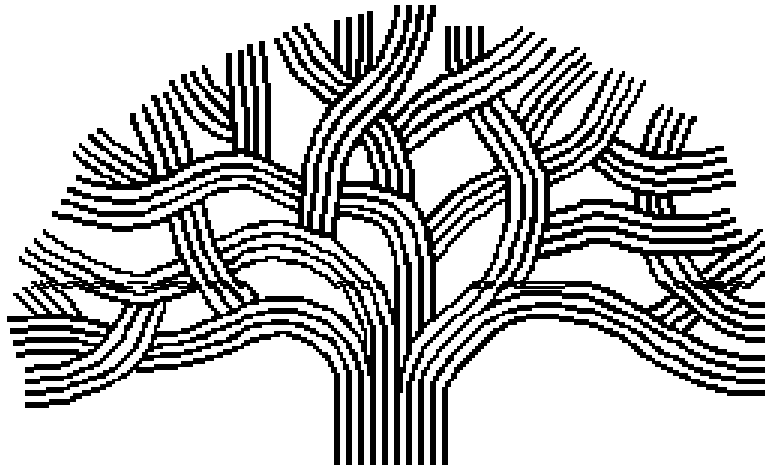
REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)



**Basic Financial Statements
and
Supplemental Information**

Fiscal Year Ended June 30, 2008

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FINANCIAL REPORT**

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

Ace A. Tago
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn Solitei, *Assistant Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Franklin Catalya

Bruce Levitch

Accounting Team (GL & ORA)

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Rogelio Medalla
Edward Chun
Felipe Kiocho

Michelle Wong
Theresa Woo
Jennifer Luong
Connie Chu

Leland Lee
Norma Torres
Andy Wang

CLERICAL SUPPORT

Ebony Thomas, *Administrative Assistant*

SPECIAL ASSISTANCE

Katano Kasaine

Donna Treglown

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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June 30, 2008

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WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants / Management Consultants

Independent Auditors' Report

**The Members of the Council
of the Redevelopment Agency of the
City of Oakland**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants
Management Consultants

The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements of the Agency, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams, Adley & Company, LLP
Oakland, California
December 4, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The Agency's total assets exceeded its total liabilities by \$200.4 million compared to \$152.3 million for the previous fiscal year. Net assets grew by \$48.1 million or 31.6%. The net growth was driven primarily by improved property tax receipts of \$122.0 versus \$109.6 million for the previous fiscal year, a \$1.2 million net increase in property held for resale, a \$6.9 million increase in fixed assets, and an \$18.8 million increase in notes and loans receivables. These increases were further enhanced by a decrease of \$21.2 million in long-term liabilities as a result of debt retirements, offset by an increase of \$5.9 million in other liabilities.
- For the year ended June 30, 2008, the Agency's governmental fund balances were \$599.2 million compared to \$601.8 million in the previous fiscal year, a decrease of .4% or \$2.6 million. The change in fund balance is primarily attributable to \$12.4 million increase in tax increment. These increases were offset by increased project expenditures of \$12.2 million and finally a decrease of \$3.9 million in OBRA rents and other reimbursements. The fund balance of \$599.2 million is distributed by redevelopment project area as follows: 26.7% or \$160.2 million for the Central District; 20.0% or \$119.8 million for the Coliseum; 16.9% or \$101.2 million for Central East; 16.4% or \$98.3 million for Low and Moderate Housing; 11.8% or \$71.0 million for the Oakland Army Base; and 8.2% or \$48.6 million for Non-major Governmental Funds.
- The overall net change in fund balances in the governmental funds resulted in a decrease of .4% or \$2.6 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$12.4 million increase in tax increment. These increases were offset by increased project expenditures of \$12.2 million and finally a decrease of \$3.9 million OBRA rents and other reimbursements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, using the accrual basis of accounting, in a manner similar to the financial statements for a private-sector business.

The *statement of net assets* presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes.

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include urban redevelopment and housing. The Agency does not engage in any business-type activities.

The government-wide financial statements include the operations of the various redevelopment areas and low and moderate housing program.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency's basic operations are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements follow the modified accrual basis of accounting and focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to

facilitate this comparison between governmental funds and governmental activities. The Agency maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Central City East Fund, Low and Moderate Housing Fund, Oakland Army Base and Debt Service Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation as non-major governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-35 of this report.

Other information

In addition to the basic financial statements and the accompanying notes, the combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the footnotes.

Government-wide Financial Statements Analysis

The Agency's financial statements are presented under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. All of the Agency's activities are governmental; therefore, business-type activities are not reported.

Analysis of Net Assets

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$200.4 million at the close of the fiscal year ended June 30, 2008.

As of the end of the fiscal year, the Agency had restricted net assets of \$599.1 million. The net assets include \$98.3 million reserved for Low and Moderate Housing. The balance of \$ 500.8 million in restricted net assets include an investment of \$128.6 million in Community Development (Property Held for Resale and Fixed Assets). The Agency uses Property Held for Resale of \$121.7 million and Fixed Assets of \$6.9 million to provide services to citizens; consequently, these assets are not available for future spending. The remaining restricted net assets of \$372.2 million represent resources that are subject to external restrictions on how they may be used. The Agency's deficit in unrestricted net assets of \$405.7 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

Net Assets
Governmental Activities
(In thousands)

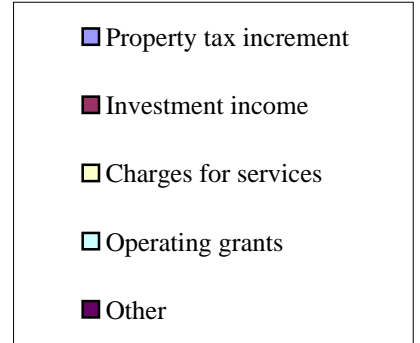
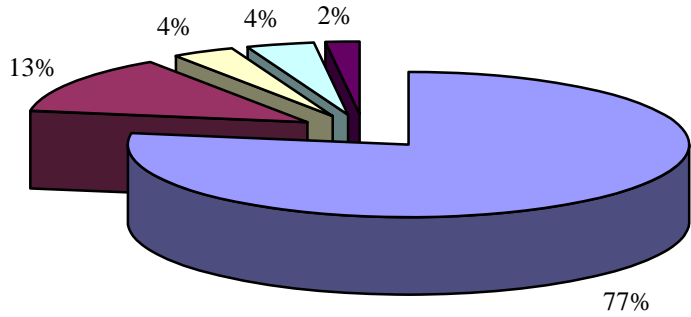
	June 30, 2008	June 30, 2007
Assets:		
Current and other assets	\$ 655,922	\$ 631,113
Property held for resale	121,735	120,586
Fixed Assets	6,887	-
Total assets	784,544	751,699
Liabilities:		
Long-term liabilities	540,605	561,811
Other liabilities	43,563	37,628
Total liabilities	584,168	599,439
Net assets:		
Investments in capital assets, net of related debt	6,887	
Restricted for:		
Low and moderate housing	98,343	95,606
Urban redevelopment projects and housing	500,827	506,194
Unrestricted	(405,681)	(449,540)
Total net assets	\$ 200,376	\$ 152,260

Governmental activities. Governmental activities increased the Agency's net assets by 31.6% or \$48.1 million. Key elements of this increase are as follows:

Changes in Net Assets
Governmental Activities
(In thousands)

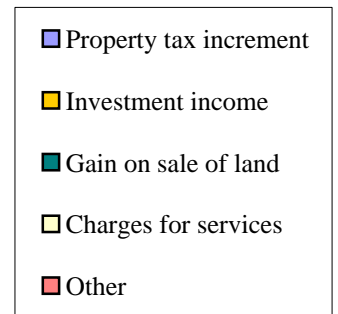
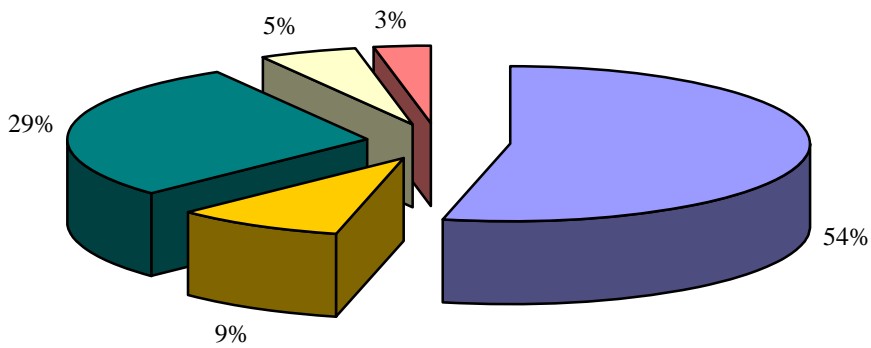
	June 30, 2008	June 30, 2007
Revenues:		
Program revenues:		
Charges for services	\$ 6,034	\$ 10,622
Operating Grants and Reimbursements	5,700	
General revenues:		
Property tax increment	122,048	109,613
Investment income	20,333	18,590
Gain on sale of land		-
Other	3,268	6,396
Total general revenues	145,649	134,599
Special Items:		
Net resale properties from OBRA		59,020
Total charges for services, general revenues, and special items	157,383	204,241
Expenses:		
Urban redevelopment and housing	81,776	88,069
Interest on long-term debt	27,491	27,226
Total expenses	\$ 109,267	\$ 115,295
Increase in net assets	\$ 48,116	\$ 88,946
Net assets, beginning of year	152,260	63,314
Net assets, end of year	\$ 200,376	\$ 152,260

**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2007-08**



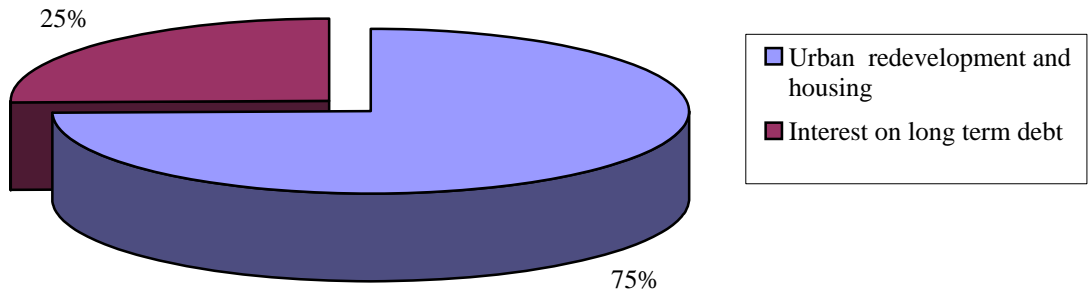
Total Revenues 157,383

**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2006-07**



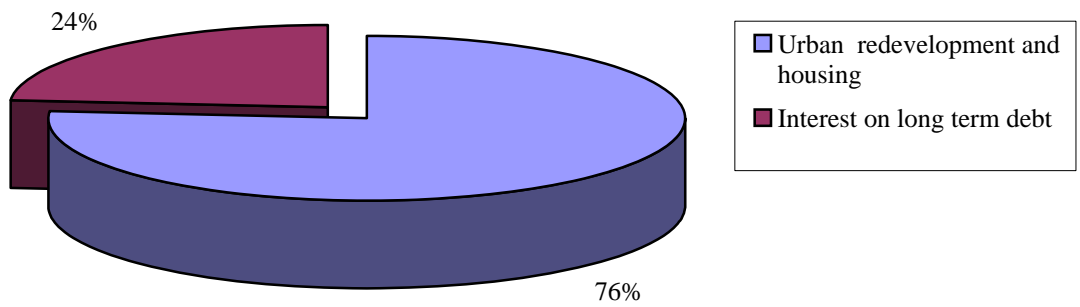
Total Revenues \$204,241

**Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2007-08**



Total Expenditures \$109,267

**Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2006-07**



Total Expenditures \$115,295

Analysis of Changes in Net Assets

The revenues in governmental activities for the Agency exceeded expenses by \$48.1 million for the year ended June 30, 2008. This represents a decrease of 45.9% or \$40.8 million compared to the prior year's change in net assets of \$88.9 million. The decrease is primarily attributed to a one time special items of \$59.0 million for absorption of the Oakland Base Reuse Authority (OBRA) by the Agency during the prior fiscal year.

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function of current year compared to the previous year. Revenues totaled \$157.4 million while expenses totaled \$109.3 million for the year ended June 30, 2008 compared to \$204.2 million and \$115.3 million respectively for the year ended June 30, 2007.

Revenues decreased compared to the previous fiscal year by \$46.8 million or 22.9%. The decrease can be attributed primarily to the absorption of the OBRA on August 7, 2006, which represented a one time gain of \$59.0 million plus an offsetting increase in net assets due to improved property tax receipts of \$122.0 million compared to \$109.6 million for the prior fiscal year.

Government-wide expenses decreased by \$6.0 million or 5.2%. The decrease is primarily attributable to the slow down in project redevelopment activities.

Financial Analysis of the Agency's Funds

As of June 30, 2008, the Agency's governmental funds reported combined ending fund balances of \$599.2 million, a decrease of .4% or \$2.6 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$12.4 million increase in tax increment. These increases were offset by increased project expenditures of \$12.2 million and finally a decrease of \$3.9 million in OBRA rents and other reimbursements.

Budgetary Data

Meaningful Agency budgetary data are not presented in the financial statements for capital projects and debt service funds because budgetary allocations are fiscal year specific while Agency project implementation may involve several fiscal years to complete.

Capital Assets and Debt Administration

Capital assets

The Agency has capital assets of \$8.1 million, before depreciation, which were transferred from the Agency's property held for resale. The Oakland Redevelopment Agency management has determined that the Henry J. Robinson Multi-Service Center provides services to disadvantaged persons living within or near the Central District Redevelopment Project Area by operating the facilities as major transitional housing, emergency shelter, and drop-in programs for the homeless population in Oakland for the foreseeable future. The Fox Theater property was transferred to Fox Oakland Theater, Inc. ("FOT") through a long term (60 year) lease. The \$3.0 million value of the land was therefore transferred from "Property Held for Resale" to fixed asset. Fixed assets for the fiscal year ended June 30, 2008 is reported as \$6.9 million, net of accumulated depreciation.

Long-term debt

At June 30, 2008, the Agency had total long-term debt outstanding of \$496.6 million, a decrease of \$17.8 million or 3.5% less than the previous fiscal year. The decrease was primarily due to the payment of outstanding bonds.

Bond Ratings

The Agency's bond ratings at June 30, 2008 are as follows (in thousands):

	<u>Insured By</u>	<u>Rating</u>	<u>Balance Outstanding</u>
Tax allocation	FGIC/MBIA/AMBAC	AAA/Aaa/A-	\$ 406,945
Housing set-aside revenue bonds	MBIA	AAA/AAA/Aaa	89,465
General obligation bonds	N/A	Not Rated	220
TOTAL			<u>\$ 496,630</u>

Long-term liabilities at June 30, 2008 and June 30, 2007, are comprised of the following (in thousands):

	<u>FY 2008</u>	<u>FY 2007</u>
Tax allocation bonds payable	\$ 406,945	\$ 422,510
Housing set-aside revenue bonds	89,465	91,700
General obligation bonds	220	265
SUBTOTAL	<u>496,630</u>	<u>514,475</u>
Deferred amounts, net	6,703	7,580
Uptown remediation costs	433	1,191
Fox Court remediation costs	379	-
OBRA remediation costs	5,828	7,408
Advances from City of Oakland	30,632	31,157
TOTAL	<u>\$ 540,605</u>	<u>\$ 561,811</u>

Requests for Information

This financial report is designed to provide a general overview of the Redevelopment Agency of the City of Oakland's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2008

(In Thousands)

ASSETS

Cash and investments	\$	227,767
Tax increment receivable		2,074
Accrued interest receivable		1,348
Accounts receivable (net of allowance for uncollectibles of \$226)		2,577
Due from the City of Oakland		14,772
Notes receivable (net of allowance for uncollectibles of \$46,728)		116,429
Property held for resale		121,735
Fixed Assets (net of accumulated depreciation)		6,887
Restricted cash and investments		282,373
Deferred charges - bond issuance costs		<u>8,582</u>
TOTAL ASSETS		<u>784,544</u>

LIABILITIES

Accrued interest payable		2,272
Accounts payable and accrued liabilities		9,974
Due to the City of Oakland		12,217
Due to other governments		15,013
Deposits and other liabilities		4,087
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year		22,275
Due in more than one year		<u>518,330</u>
TOTAL LIABILITIES		<u>584,168</u>

NET ASSETS (Deficit)

Invested in capital assets, net of related debt		6,887
Restricted for:		
Low and Moderate Housing		98,343
Urban redevelopment projects and housing		500,827
Unrestricted (deficit)		<u>(405,681)</u>
TOTAL NET ASSETS	\$	<u>200,376</u>

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Activities

For the year ended June 30, 2008

(In Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Urban redevelopment and housing	\$ 81,776	\$ 6,034	\$ 5,700	\$ (70,042)
Interest on long-term debt	<u>27,491</u>	<u>-</u>	<u>-</u>	<u>(27,491)</u>
Total governmental activities	<u>\$ 109,267</u>	<u>\$ 6,034</u>	<u>\$ 5,700</u>	<u>(97,533)</u>
General Revenues:				
Property tax increment				122,048
Investment income				20,333
Other				<u>3,268</u>
Total general revenues				<u>145,649</u>
Change in net assets				48,116
Net assets at beginning of year				<u>152,260</u>
Net assets at end of year				<u>\$ 200,376</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2008
(In Thousands)

	Capital Projects								
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds	
ASSETS									
Cash and investments	\$ 47,379	\$ 44,972	\$ 30,172	\$ 45,745	\$ 25,339	\$ 900	\$ 33,260	\$ 227,767	
Tax increment receivable	828	520	374	-	99	-	253	2,074	
Accrued interest receivable	307	266	172	261	146	6	190	1,348	
Accounts receivable (net of allowance for uncollectibles of \$226)	1,179	6	501	-	750	-	141	2,577	
Due from other funds	-	-	-	501	-	-	-	501	
Advances to the City	12,495	-	-	1,804	27	-	446	14,772	
Notes receivable (net of allowance for uncollectibles of \$46,728)	33,915	200	-	80,047	-	-	2,267	116,429	
Property held for resale	56,991	2,314	1,068	8,013	48,938	-	4,411	121,735	
Restricted cash and investments	61,635	83,698	75,482	45,451	-	3	16,104	282,373	
TOTAL ASSETS	\$ 214,729	\$ 131,976	\$ 107,769	\$ 181,822	\$ 75,299	\$ 909	\$ 57,072	\$ 769,576	
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	517	96	66	1,164	280	824	991	3,938	
Due to other funds	-	-	501	-	-	-	-	501	
Due to the City	1,760	4,003	2,724	29	1,083	124	2,494	12,217	
Due to other governments	2,186	7,345	2,863	-	758	-	1,861	15,013	
Deposits and other liabilities	2,675	-	-	5	1,363	-	44	4,087	
Deferred revenue	47,347	720	374	82,281	849	-	3,079	134,650	
TOTAL LIABILITIES	54,485	12,164	6,528	83,479	4,333	948	8,469	170,406	
FUND BALANCES									
Reserved for advances and notes receivable	1,162	6	-	70	27	-	27	1,292	
Reserved for property held for resale	56,991	2,314	1,068	8,013	48,938	-	4,411	121,735	
Reserved for approved capital projects/activities	102,091	117,492	100,173	90,260	22,001	(39)	42,421	474,399	
Unreserved - reported in Capital Project Funds	-	-	-	-	-	-	1,744	1,744	
TOTAL FUND BALANCES	160,244	119,812	101,241	98,343	70,966	(39)	48,603	599,170	
TOTAL LIABILITIES AND FUND BALANCES	\$ 214,729	\$ 131,976	\$ 107,769	\$ 181,822	\$ 75,299	\$ 909	\$ 57,072	\$ 769,576	

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for
Governmental Activities**

**June 30, 2008
(In Thousands)**

Fund balance - total governmental funds \$ 599,170

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resource and
therefore, are not reported in the funds 6,887

Bond issuance costs are expended in the governmental funds when paid and are
capitalized and amortized over the life of the corresponding bonds for the purposes
of the governmental activities on the statement of net assets. 8,582

Total accrued interest on long-term debt and other liabilities: \$	(12,246)	
Less the amount reported in the funds statements	<u>3,938</u>	
Net amount of accrued interest which was not reported in the funds, but rather is recognized as an expenditure when		(8,308)

Because the focus of governmental funds is on short-term financing, some assets will
not be available to pay for current period expenditures. Those assets are offset by
deferred revenue in the governmental funds. 134,650

Long-term liabilities, including bonds payable, are not due and payable in the current
period and, therefore, are not reported in the governmental funds:

<u>Type</u>	<u>Amount</u>	
Tax Allocation Bonds	\$ (406,945)	
Housing Set-Aside Revenue Bonds	(89,465)	
General Obligation Bonds	(220)	
Issuance premiums	(11,032)	
Refunding loss	4,329	
Fox Court remediation costs	(379)	
Uptown remediation costs	(433)	
Oakland Army Base remediation costs	(5,828)	
Advances from the City of Oakland	<u>(30,632)</u>	
Subtotal		<u>(540,605)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 200,376

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2008
(In Thousands)

	<u>Capital Projects</u>					<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Central District</u>	<u>Coliseum</u>	<u>Central City East</u>	<u>Low and Moderate Housing</u>	<u>Oakland Army Base</u>			
REVENUES								
Tax increment	\$ 48,667	\$ 30,590	\$ 22,024	\$ -	\$ 5,806	\$ -	\$ 14,697	\$ 121,784
Interest on restricted investments	2,443	3,597	3,220	2,859	-	14	754	12,887
Interest on pooled investments	1,804	1,401	848	1,313	884	43	1,114	7,407
Interest on notes receivable	-	-	-	-	-	-	39	39
Rents and reimbursements	5,532	25	-	-	2,989	-	1,157	9,703
Other	1,504	1	-	822	311	-	353	2,991
TOTAL REVENUES	<u>59,950</u>	<u>35,614</u>	<u>26,092</u>	<u>4,994</u>	<u>9,990</u>	<u>57</u>	<u>18,114</u>	<u>154,811</u>
EXPENDITURES								
Current:								
Urban redevelopment and housing	36,125	21,028	9,786	24,867	5,897	3	11,949	109,655
Debt Service:								
Payment on advances	-	-	-	-	-	1,398	-	1,398
Retirement of long-term debt	-	-	-	-	-	17,845	-	17,845
Interest	-	-	-	-	-	28,542	-	28,542
TOTAL EXPENDITURES	<u>36,125</u>	<u>21,028</u>	<u>9,786</u>	<u>24,867</u>	<u>5,897</u>	<u>47,788</u>	<u>11,949</u>	<u>157,440</u>
Excess (deficiency) of revenues over expenditures	23,825	14,586	16,306	(19,873)	4,093	(47,731)	6,165	(2,629)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,383	-	-	30,511	-	47,652	601	80,147
Transfers out	(37,209)	(15,555)	(11,089)	(7,902)	(1,452)	-	(6,940)	(80,147)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,826)</u>	<u>(15,555)</u>	<u>(11,089)</u>	<u>22,609</u>	<u>(1,452)</u>	<u>47,652</u>	<u>(6,339)</u>	<u>-</u>
Change in fund balances	(12,001)	(969)	5,217	2,736	2,641	(79)	(174)	(2,629)
Fund balances at beginning of year	172,245	120,781	96,024	95,607	68,325	40	48,777	601,799
FUND BALANCES (Deficit) AT END OF YEAR	<u>\$ 160,244</u>	<u>\$ 119,812</u>	<u>\$ 101,241</u>	<u>\$ 98,343</u>	<u>\$ 70,966</u>	<u>\$ (39)</u>	<u>\$ 48,603</u>	<u>\$ 599,170</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$	(2,629)
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Amounts reported for governmental activities in the statement of activities are different because:

Government funds report capital outlays as expenditures. However, in statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.		6,887
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds.		21,606
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of bond issuance costs	(541)		
Retirement of long-term debt	17,845		
Payment on advances	1,398		
Interest on advances	(873)		
Amortization of premiums on bonds issued	1,176		
Amortization of refunding loss	(299)		
Site Clearance and toxics remediation cost	1,958		20,664

Changes in accrued interest on bonds payable		1,588
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Change in net assets of governmental activities	\$	48,116
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See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

1) ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

The Redevelopment Agency (Agency), a blended component unit of the City of Oakland (City), was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. The Agency is included as a blended component unit in the City's basic financial statements because the Agency's governing body is the same as the City Council. Its principal activities are the acquisition of real property for the purpose of removing or preventing blight, providing for the construction of improvements thereon and the rehabilitation and restoration of existing properties. In addition, the Agency finances numerous low and moderate-income housing projects throughout the City.

The principal sources of funding for the Agency's activities have been:

- Bond issues, notes and other financing sources;
- Advances, loans and grants-in-aid from the City;
- Property tax revenue attributable to increases in the assessed valuations in the associated project areas; and
- Rental income derived from parking and rental of Agency owned properties.

Generally, funding from bond issues, notes, loans, and City advances are eventually repayable from incremental property tax revenue. The Agency has entered into repayment agreements with the City or is obligated to do so under the terms of other funding agreements. The amount of incremental property tax revenue received is dependent upon the local property tax assessments and rates, which are outside the control of the Agency. Accordingly, the length of time that will be necessary to repay the City is not readily determinable.

The Agency currently has the following project areas: Central District (which is segmented into several action areas including Chinatown, City Center, Uptown and City Hall Plaza); Coliseum; Central City East; Acorn; Broadway/MacArthur/San Pablo; Oakland Army Base; West Oakland; and Other Project Areas (Oak Center; Stanford/Adeline; and Oak Knoll).

The Central District Redevelopment Project, which generates the greatest tax revenue for the Agency, provides for the development and rehabilitation of commercial and residential structures for approximately 200 blocks of Oakland's downtown area. At 6,764 acres, the Coliseum Redevelopment Project is physically the largest adopted project area and provides for the development and rehabilitation of significant industrial, commercial, and residential areas in Oakland.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report all the activities of the Agency. The effect of interfund activity has been removed from these statements. The activities of the Agency are governmental in nature, which normally are supported by taxes and intergovernmental transfers.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include rents, grants, contributions and charges for use of property owned. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue when all eligibility requirements have been met.

The Agency's governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as estimated liabilities related to claims and judgments, are recorded only when the payment is due.

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered being susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. Interest and grant revenues are considered available if they are collected within 60 days of year-end. Reimbursable grant revenues are considered available if they are collected within 180 days of year-end. All other revenues are considered to be measurable and available only when the Agency receives the cash.

The Agency reports the following major governmental funds:

Central District Fund – The Central District Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central District Project area.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2008

Coliseum Fund – The Coliseum Fund accounts for the financial resources and the costs of acquisition, construction and improvement of commercial, industrial, residential and airport related facilities in the Coliseum Project area.

Central City East Fund – The Central City East Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central City East Project area.

Low and Moderate Housing Fund – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Oakland Redevelopment Agency board, respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds, Series 2000T and 2006A, and Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T. These funds are used to increase, improve and preserve the supply of housing within the City of Oakland available at affordable housing cost to persons or families of low and moderate income. The Series 2006A Bonds are used to defease certain amount of the Redevelopment Agency's Subordinated Housing Set Aside Revenue Bonds, Series 2000T.

Oakland Army Base Fund – The Oakland Army Base Fund accounts for the financial resources and the costs of the redevelopment and reuse of the closed military facilities into commercial and industrial facilities in the former Oakland Army Base.

Debt Service Fund – The Tax Allocation Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Investments

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2008, and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

Pooled Cash and Investments

Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets.

Restricted Cash and Investments

Proceeds from debt and other funds, which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement, are classified as restricted assets. Also, rental revenues received from the University of California Office of the President (UCOP), Ice

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2008

Rink, and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

Property Held for Resale

Property held for resale is acquired as part of the Agency's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as incurred. A primary function of the redevelopment process is to prepare land for specific private development.

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

Property held for resale may, during the period it is held by the Agency, generate rental or operating income. This income is recognized as it is earned in the Agency's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting.

The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development.

Capital Assets

Capital assets, which includes land, facilities and improvements are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by the Agency, are assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the Agency governmental funds and as assets in the government-wide financial statements to the extent the Agency's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	15-40 years
Furniture, machinery and equipment	3-20 years
Infrastructure	7-50 years

Environmental Remediation Costs

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts when incurred. All estimated environmental remediation costs

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2008

that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Agency in its fund financial statements has reserved fund balance as follows:

Reserved for advances and notes receivable – To account for assets owed from the City that will not be collected in time to be considered available for appropriation and for notes receivable related to the Jack London Gateway.

Reserved for property held for resale – To account for assets acquired from various funding sources to the Agency and are not available for appropriation.

Reserved for approved capital projects/activities – To account for assets set aside that have been committed to a specific use by contractual agreement or Agency resolution.

Restricted Net Assets and Revenues

Under various agreements with the United States Department of the Army (Army), the use of substantially all assets of approximately 366 acres of the former Oakland Army Base and related lease income is restricted for the operation, maintenance and economic development of real properties, facilities and improvements from June 16, 1999 to August 7, 2010.

Tax Increment Revenue

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment. The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the Agency. Incremental property taxes are assessed and levied as of July 1, and result in a lien on real property. Incremental property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively.

Budgetary Data

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. All of the Agency's budgets are

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2008

approved by the Agency's governing board. Unexpended budget appropriations are carried forward to the next year.

Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met in fund statements. The Agency typically records deferred revenue in the governmental fund financial statements related to notes receivable arising from developers financing arrangement and long-term receivables.

Long-term Obligations

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premium, discount and deferred refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount and deferred refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt service issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(3) CASH AND INVESTMENTS

The Agency maintains a common cash and investment pool for use by all funds. Each fund's portion of this pool is reported in the governmental funds balance sheet as unrestricted cash and investments.

The Agency's cash and investments consist of the following at June 30, 2008: (in thousands)

Cash and investments (unrestricted)	<u>Fair Value</u> \$ 227,767
Restricted cash and investments	282,373
Total cash and investments	<u>\$ 510,140</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the Agency's cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2008, the Agency's cash and investment pool totaled \$227.8 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2008 the Agency's investment in LAIF was \$43.9 million (\$39.9 million in pooled cash and investments and \$4.0 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.1 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$70 billion. Of that amount, 85.28% is invested in non-derivative financial products and 14.72% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members, as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the Agency's position in the pool.

Custodial Credit Risk:

At June 30, 2008, the carrying amount of the Agency's deposits was \$4.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$.4 million was FDIC insured and \$4.2 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency prequalifies financial institutions, diversifies its portfolio and has established monitoring procedures.

The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2008 (in thousands):

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Pooled Cash and Investments

Ratings as of Fiscal Year Ended June 30, 2008

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 93,144	\$ 93,144	\$ -
U.S. Govt. Agency Securities Disc.	55,606	55,606	-
Money Market Funds	36,936	36,936	-
LAIF	<u>39,912</u>	<u>-</u>	<u>39,912</u>
Subtotal	\$ 225,598	\$ 185,686	\$ 39,912
Deposits	<u>2,169</u>		
Total	\$ 227,767		

Restricted Cash and Investments

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>Not Rated</u>
Money Market Funds	\$ 195,137	\$ 195,137	\$ -
LAIF	3,996	-	3,996
Investment Agreement	<u>80,836</u>	<u>80,836</u>	-
Total	\$ 279,969	\$ 275,973	\$ 3,996
Deposits	<u>2,404</u>		
Total	\$ 282,373		

Concentration of Credit Risk:

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in single issuers. However, there is no limitation for investments issued by federal agencies or LAIF. The Agency has U.S. Government Agency Securities with Federal National Mortgage Association for \$67.7 million and Federal Home Loan Bank for \$60.0 million, which represents 13.38% and 11.86% of the total Agency portfolio respectively. The Agency also has investment agreements with FSA Capital Management \$43.0 million and Natixis Funding Corporation \$37.8 million representing 8.5% and 7.46% of the Agency portfolio respectively at June 30, 2008.

The following table shows the diversification of the Agency's portfolio (in thousands):

Pooled Cash and Investments

Restricted Investments

	<u>Fair Value</u>	<u>% of Portfolio</u>		<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Govt. Agency Securities	\$ 93,144	40.89%	Money Market Funds	\$ 195,137	69.11%
U.S. Govt. Agency Securities Disc.	55,606	24.41%	LAIF	3,996	1.42%
Money Market Funds	36,936	16.22%	Investment Agreement	80,836	28.62%
LAIF	39,912	17.52%	Deposits	2,404	0.85%
Deposits	<u>2,169</u>	<u>0.95%</u>	Total	\$ 282,373	100%
Total	\$ 227,767	100%			

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Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 340 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2008, the Agency had the following investments and original maturities (in thousands):

Pooled Cash and Investments

	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturities</u>		
			<u>12 Months or Less</u>	<u>1-3 Years</u>	<u>3-5 Years</u>
U.S. Govt. Agency Securities	\$ 93,144	2.72 - 4.26	\$ 27,221	\$ 50,897	\$ 15,026
U.S. Govt. Agency Securities Disc.	55,606	2.11 - 2.67	55,606	-	-
Money Market Funds	36,936	2.69 - 5.13	36,936	-	-
LAIF	39,912	2.89	39,912	-	-
Deposits	2,169	N/A	2,169	-	-
Total	\$ 227,767		\$ 161,844	\$ 50,897	\$ 15,026

Restricted Investments

	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturities</u>
			<u>12 Months or Less</u>
Money Market Funds	\$ 195,137	2.30 - 5.00	\$ 195,137
LAIF	3,996	2.89	3,996
Investment Agreement	80,836	3.90 - 5.02	80,836
Deposits	2,404	-	2,404
Total	\$ 282,373		\$ 282,373

Restricted Investments in the Debt Service Funds

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2008, the amounts held by the trustees aggregated \$282.4 million of which \$282.4 million is available to be used for restricted projects. All restricted investments held

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by trustees as of June 30, 2008 were invested in a money market mutual funds, LAIF and investment agreements, and were in compliance with the bond indentures.

Total Agency cash and investments as of June 30, 2008, are as follow (in thousands):

	<u>Equity in Pooled Cash and Investment</u>	<u>Restricted Cash and Investment With Fiscal Agent</u>	<u>Total Governmental Funds</u>
Central District	\$ 47,379	\$ 61,635	\$ 109,014
Coliseum	44,972	83,698	128,670
Central City East	30,172	75,482	105,654
Low and moderate housing	45,745	45,451	91,196
Oakland Army Base	25,339	-	25,339
Debt Service	900	3	903
Nonmajor governmental funds	<u>33,260</u>	<u>16,104</u>	<u>49,364</u>
TOTAL	<u>\$ 227,767</u>	<u>\$ 282,373</u>	<u>\$ 510,140</u>

(4) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2008, follows (in thousands):

	<u>Central District</u>	<u>Coliseum</u>	<u>Low and Moderate Housing</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Housing development project	\$ -	\$ -	\$ 113,598	\$ 1,462	\$ 115,060
Development loans	45,921	200	-	720	46,841
Small business loans	<u>128</u>	<u>-</u>	<u>-</u>	<u>1,128</u>	<u>1,256</u>
Gross notes receivable	46,049	200	113,598	3,310	163,157
Less: Allowance for uncollectible accounts	<u>(12,134)</u>	<u>-</u>	<u>(33,551)</u>	<u>(1,043)</u>	<u>(46,728)</u>
Net notes receivable	<u>\$ 33,915</u>	<u>\$ 200</u>	<u>\$ 80,047</u>	<u>\$ 2,267</u>	<u>\$ 116,429</u>

(5) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows (in thousands):

	<u>1-Jul-07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers out</u>	<u>30-Jun-08</u>
Property held for resale	<u>\$120,586</u>	<u>\$10,010</u>	<u>\$761</u>	<u>\$8,100</u>	<u>\$121,735</u>

The increases in Property Held for Resale represent the purchases of land in the amounts of \$8.0 million for Wood Street Parcel-D, \$.6 million for 9418 Edes Ave., and \$1.1 million for 2777 Foothill Blvd. The OBRA capitalized remediation expenses of \$.3 million. Decreases included the \$.4 million sale of the Fox parking lot and a \$.4 million transfer to the City for street improvements from Other Projects.

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The Henry J. Robinson Multi-Service Center provides services to disadvantaged persons living within or near the Central District Redevelopment Project Area by operating major transitional housing, emergency shelter and drop-in programs for the homeless population in Oakland. Redevelopment Agency Management has determined that beginning with fiscal year 2007-08, the Agency intends to continue the use of the Henry Robinson Multi-Service Center for such services into the foreseeable future and therefore has decided to transfer this facility from its list of "Property Held for Resale" and report it as a long term depreciable capital asset in its government-wide financial statements. The total amount transferred is \$5.1 million and is reflected in the above transfer column.

The Fox Theater property was transferred to Fox Oakland Theater, Inc. ("FOT") through a long term (60 year) lease and a Disposition and Development Agreement ("DDA"). The \$3.0 million value of the land was therefore transferred from "Property Held for Resale" to fixed asset.

(6) CAPITAL ASSETS

A summary of changes in Fixed Assets follows (in thousands):

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	-	\$ 3,360	\$ -	\$ 3,360
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	-	3,360	-	3,360
Capital assets, being depreciated:				
Facilities and improvements	-	4,740	-	4,740
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	-	4,740	-	4,740
Less accumulated depreciation:				
Facilities and improvements	-	1,213	-	1,213
TOTAL ACCUMULATED DEPRECIATED	-	1,213	-	1,213
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	-	3,527	-	3,527
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ -	\$ 6,887	\$ -	\$ 6,887

The Henry J. Robinson Multi-Service Center provides services to disadvantaged persons living within or near the Central District Redevelopment Project Area by operating major transitional housing, emergency shelter and drop-in programs for the homeless population in Oakland. Redevelopment Agency Management has determined that beginning with fiscal year 2007-08, the Agency intends to continue the use of the Henry Robinson Multi-Service Center for such services into the foreseeable future and therefore has decided to transfer this facility from its list of "Property Held for Resale" and report it as a long term depreciable capital asset in its government-

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wide financial statements. The transfer is reported at historical cost as an expenditure in the Agency's governmental funds. The historical cost of the property transferred is \$5.1 million less a \$1.2 million in depreciation expense since acquisition in 1992 has been charged to urban redevelopment and housing activities resulting in Net capital assets after depreciation is \$3.9 million.

The Fox Theater property was transferred to Fox Oakland Theater, Inc. ("FOT") through a long term (60 year) lease and a Disposition and Development Agreement ("DDA"). The \$3.0 million value of the land was therefore transferred from "Property Held for Resale" to fixed asset.

(7) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due From/Due To:

"Due to" and "Due from" balances have primarily been recorded when funds overdraw their share of pooled cash and investment. The composition of interfund balances as of June 30, 2008, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Low Moderate Housing	Central City East	\$ 501
TOTAL		<u>\$ 501</u>

Interfund Transfers (in thousands):

	<u>Transfers In</u>				
	<u>Central District</u>	<u>Low and Moderate Housing</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Fund</u>
Transfers out:					
Central District	\$ -	12,165	25,044	-	37,209
Coliseum	-	7,648	7,454	453	15,555
City Central East	-	5,506	6,682	-	12,188
Oakland Army Base	-	1,452	-	-	1,452
Low and Moderate Housing	350	-	7,552	-	7,902
Debt Service	-	-	-	-	-
Nonmajor Governmental Funds	<u>1,033</u>	<u>3,740</u>	<u>920</u>	<u>148</u>	<u>5,841</u>
TOTAL	<u>\$ 1,383</u>	<u>\$ 30,511</u>	<u>\$ 47,652</u>	<u>\$ 601</u>	<u>\$ 80,147</u>

The Central District, Coliseum, Low & Moderate Housing, and Nonmajor Governmental Funds transferred funds to the Debt Service Fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing Fund, as reflected

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of \$.5 million to Non-major Governmental Funds from the Coliseum Fund represents the 10% school set aside based on tax increment received in the Coliseum project area, net of the housing set aside, debt payment and the AB1290 mandatory pass through.

(8) LONG-TERM DEBT
General Long-Term Obligations (in thousands)

	July 1, 2007	Additions	Deductions	June 30, 2008	Due within One Year
Tax Allocation					
Bonds	\$ 422,510	-	\$ (15,565)	\$ 406,945	\$ 14,790
Housing Set-Aside					
Revenue Bonds	91,700	-	(2,235)	89,465	2,390
General Obligation					
Bond	<u>265</u>	<u>-</u>	<u>(45)</u>	<u>220</u>	<u>50</u>
Total Bonds Payable	514,475	-	(17,845)	496,630	17,230
Deferred amounts:					
Issuance premiums	12,208	-	(1,176)	11,032	1,145
Refunding loss	<u>(4,628)</u>	<u>-</u>	<u>299</u>	<u>(4,329)</u>	<u>(292)</u>
Subtotal	522,055	-	(18,722)	503,333	18,083
Uptown remediation costs	1,191	-	(758)	433	433
Fox Court Remediation costs	-	414	(35)	379	379
Army Base remediation costs	7,407	-	(1,579)	5,828	2,000
Advances from City of Oakland	<u>31,157</u>	<u>815</u>	<u>(1,340)</u>	<u>30,632</u>	<u>1,380</u>
TOTAL	<u>\$ 561,810</u>	<u>\$ 1,229</u>	<u>\$ (22,434)</u>	<u>\$ 540,605</u>	<u>\$ 22,275</u>

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General Long-Term Obligations consist of the following:

	Final Maturity Year	Interest Rates	Balance at June 30, 2008 (in thousands)
TAX ALLOCATION BONDS			
Central District Senior Tax Allocation Refunding Series 1992:			
Term bonds	2009-2014	5.50%	<u>35,910</u>
Central District Subordinated Tax Allocation Bonds Series 2003:			
Serial bonds	2009	4.00%	3,185
Serial bonds	2010-2012	5.00%	12,970
Serial bonds	2013-2020	5.50%	<u>87,865</u>
			<u>104,020</u>
Central District Subordinated Tax Allocation Bonds Series 2005:			
Serial bonds	2020-2022	5.00%	<u>44,360</u>
Central District Subordinated Tax Allocation Bonds Series 2006T:			
Term bonds	2009-2016	5.252%	19,755
Term bonds	2017-2021	5.411%	<u>10,680</u>
			<u>30,435</u>
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE:			
Term bonds	2032-2036	5.00%	<u>4,945</u>
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T:			
Term bonds	2009-2016	5.283%	2,820
Term bonds	2017-2032	5.587%	<u>9,165</u>
			<u>11,985</u>
Central City East Tax Allocation Bonds Series 2006A-TE:			
Term bonds	2034-2036	5.00%	<u>13,780</u>
Central City East Tax Allocation Bonds Series 2006A-T:			
Term bonds	2009-2016	5.263%	12,515
Term bonds	2017-2034	5.537%	<u>48,495</u>
			<u>61,010</u>
Coliseum Area Tax Allocation Bonds Series 2006B-TE:			
Serial bonds	2009-2020	4.00%-4.50%	7,655
Term bonds	2021-2026	5.00%	5,350
Term bonds	2027-2031	5.00%	5,860
Term bonds	2032-2036	5.00%	<u>9,355</u>
			<u>28,220</u>
Coliseum Area Tax Allocation Bonds Series 2006B-T:			
Term bonds	2009-2016	5.263%	12,470
Term bonds	2017-2035	5.537%	<u>59,810</u>

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			<u>72,280</u>
TOTAL TAX ALLOCATION BONDS			<u>406,945</u>
GENERAL OBLIGATION BOND-Tribune Tower	2009-2012	5.643%	<u>220</u>
SUBORDINATED HOUSING SET-ASIDE BONDS			
Revenue Series 2000T:			
Term bonds	2009-2011	7.82%	6,205
Revenue Series 2006A:			
Term bonds	2018	5.00%	2,195
Refunding Series 2006A-T:			
Term bonds	2009	5.182%	475
Term bonds	2010	5.219%	500
Term bonds	2011	5.248%	530
Term bonds	2012	5.268%	2,860
Term bonds	2013	5.308%	3,010
Term bonds	2014	5.344%	3,170
Term bonds	2015-2017	5.383%	10,565
Term bonds	2018-2022	5.653%	19,635
Term bonds	2023-2026	5.827%	12,525
Term bonds	2027-2037	5.927%	<u>27,795</u>
			<u>81,065</u>
TOTAL SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS			<u>89,465</u>
TOTAL BONDS PAYABLE			<u>\$ 496,630</u>

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2008 the total outstanding balance was \$30.6 million , comprised of the following (in thousands):

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>	<u>Due within One Year</u>
Central District	\$ 17,058	\$ 47	\$ (572)	\$ 16,533	\$ 609
Oak Center	13,669	768	(700)	13,737	700
Stanford/Adeline	247	—	(59)	188	66
West Oakland	183	—	(9)	174	5
TOTAL	<u>\$ 31,157</u>	<u>\$ 815</u>	<u>\$ (1,340)</u>	<u>\$ 30,632</u>	<u>\$ 1,380</u>

Payments to the City are contingent upon the availability of funds from the Projects.

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Outstanding Defeased Bonds

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$75.3 million at June 30, 2008.

Bond Indentures

There are a number of limitations and restrictions contained in the various bond indentures. The Agency believes it is in compliance with all significant limitations and restrictions.

Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2008 (in thousands).

<u>Year ending June 30: s</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	17,230	26,602
2010	16,865	25,645
2011	18,680	24,667
2012	19,665	23,645
2013	20,645	22,585
2014-2018	105,225	95,898
2019-2023	135,220	63,001
2024-2028	44,775	38,867
2029-2033	58,615	24,582
2034-2038	59,710	6,560
TOTAL	<u>\$ 496,630</u>	<u>\$ 352,052</u>

Conduit Debt

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2008, there was one series of certificates outstanding with an aggregate principal amount payable of \$13.4 million. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

(9) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2008, the Agency reimbursed the City \$33.7 million for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$2.3 million for the fiscal year ended June 30, 2008; \$1.3 million in loan principal and \$1.0 million in interest expense.

(10) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2008, the Agency entered into contractual commitments of approximately \$65.9 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2008, the Agency committed to funding \$60.0 million and had issued \$1.6 million in letters of credit in connection with several low and moderate income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Uptown Project Environmental Remediation

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2008, the total liability outstanding in connection with the Agency's environmental remediation activities was \$.4 million.

Fox Court Environmental Remediation

The Fox Court area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2008, the total liability outstanding in connection with the Agency's environmental remediation activities was \$.4 million.

Oakland Army Base Environmental Remediation

Land originally conveyed to OBRA from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance premium. Of the \$13.0 million grant, \$11.0 million has been spent of which \$10.2 million has been reimbursed and received as of June 30, 2008. The remaining \$2.0 million of grant expenditures will be shared equally between the agency and the Port.

The next \$11.5 million of environmental remediation costs are to be shared equally by the Agency and the Port. As a result, the Agency will have as its share in the remaining Oakland Army Base remediation costs, a total of \$6.7 million. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21.0 million that are not covered by insurance. The Agency believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

(11) RELATED PARTY TRANSACTIONS

The Fox Oakland Theater

Fox Oakland Theater, Inc. ("FOT") is a 501(c)(3) organization set up by and for the benefit of the Redevelopment Agency and City of Oakland. FOT was set up to renovate the Fox Theater. The Redevelopment Agency transferred the Fox Theater property to FOT in August 2006 through a long term lease and a Disposition and Development Agreement ("DDA") which included a \$25.5 million loan. The Fox Theater property was held by the Agency as property held for resale. It was transferred to a fixed asset due to the long term lease which was valued at \$6.5 million in the lease and DDA. All FOT board members are City of Oakland employees and there is no direct staff for FOT. FOT set up a for profit entity, Fox Theater Manager, Inc. ("FT Manager"), and then two LLC managed by FT Manager, Fox Theater Landlord LLC and Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is unsecured.

(12) SUBSEQUENT EVENTS

Educational Revenue Augmentation Funds

On September 23, 2008, AB 1389 was signed into law requiring redevelopment agencies statewide to shift a one-time \$350 million of property tax increment to the State's Educational Revenue Augmentation Fund (ERAF) as a way to reduce the State's \$24.3 billion budget deficit for fiscal year 2008-09. The ERAF money will then be paid to schools and community colleges, relieving the State of payments. The Agency's share of the revenue shift is approximately \$8.5 million and payment is to be made by May 10, 2009.

Recent Changes in the Economic Environment and Its Impact to the Agency

The recent turmoil in the financial market has been unprecedented. In the September 2008, the U.S. Treasury placed government sponsored enterprises Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) into conservatorship and committed to provide as much as \$100 billion to each company to backstop any shortfalls in capital through 2009, which protected the principal and interest payments on their debt (bonds issued). In addition, the federal government recently assumed control of American International Group, Inc. (AIG), the largest insurance company in the U.S.; Lehman Brothers Holdings, Inc. was seized by government regulators and its branches and assets sold to JP Morgan Chase & Co. On October 3, 2008, the President of the United States signed into law the \$700 billion Emergency Economic Stabilization Act of 2008 in an effort to address the economic crisis.

With such volatility in the market due to uncertainty in the global financial market, City Council on October 21, 2008, authorized the Finance & Management Agency's investment staff to invest in the United States Treasury Securities for a not-to-exceed period of 60 days to further diversify its portfolio, thus reducing its risks and exposure to the depressed financial markets. The ability to invest in U.S. Treasuries will also provide liquidity and safety to the portfolio. Currently, there is

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2008

no loss in asset value for the Agency. The Finance & Management Agency's investment staff continues to focus investment decisions in accordance with the City Council Investment Policy's primary investment priorities of safety, liquidity, and yield in that order.

COMBINING FINANCIAL
STATEMENTS and
SUPPLEMENTAL
INFORMATION

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(In Thousands)

	<u>Acorn</u>	<u>Broadway MacArthur San Pablo</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash and investments	\$ 1,832	\$ 7,568	\$ 10,771	\$ 10,446	\$ 2,643	\$ 33,260
Tax increment receivable	21	90	137	5	-	253
Accrued interest receivable	10	43	61	66	10	190
Accounts receivable, net	-	-	-	141	-	141
Due from other funds	-	-	-	-	-	-
Advances to the City	5	15	-	7	419	446
Due from other governments	-	-	-	-	-	-
Notes receivable, net	509	-	-	1,758	-	2,267
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	16,096	-	8	-	16,104
TOTAL ASSETS	<u>\$ 2,377</u>	<u>\$ 23,812</u>	<u>\$ 10,969</u>	<u>\$ 16,842</u>	<u>\$ 3,072</u>	<u>\$ 57,072</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ 36	\$ 44	\$ 19	\$ 892	\$ 991
Due to the City	-	584	1,777	122	11	2,494
Due to other governments	-	692	1,057	112	-	1,861
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	530	89	137	1,904	419	3,079
Deposits and other liabilities	-	-	-	-	-	-
TOTAL LIABILITIES	<u>542</u>	<u>1,426</u>	<u>3,015</u>	<u>2,158</u>	<u>1,328</u>	<u>8,469</u>
FUND BALANCES						
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for advances and notes receivable	5	15	-	7	-	27
Reserved for approved capital projects/activities	1,830	22,371	7,954	10,266	-	42,421
Unreserved	-	-	-	-	1,744	1,744
TOTAL FUND BALANCES	<u>1,835</u>	<u>22,386</u>	<u>7,954</u>	<u>14,684</u>	<u>1,744</u>	<u>48,603</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,377</u>	<u>\$ 23,812</u>	<u>\$ 10,969</u>	<u>\$ 16,842</u>	<u>\$ 3,072</u>	<u>\$ 57,072</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2008
(In Thousands)

	<u>Acorn</u>	<u>Broadway MacArthur San Pablo</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>TOTAL</u>
REVENUES						
Tax increment	\$ 1,232	\$ 5,251	\$ 8,041	\$ 173	\$ -	\$ 14,697
Interest on restricted cash and investments	-	754	-	-	-	754
Interest on pooled cash and investments	50	219	266	508	71	1,114
Interest on notes receivable	-	-	-	39	-	39
Rents and reimbursements	-	-	-	1,157	-	1,157
Other	59	130	-	164	-	353
TOTAL REVENUES	<u>1,341</u>	<u>6,354</u>	<u>8,307</u>	<u>2,041</u>	<u>71</u>	<u>18,114</u>
EXPENDITURES						
Current:						
Urban redevelopment and housing	755	3,253	3,645	4,204	92	11,949
TOTAL EXPENDITURES	<u>755</u>	<u>3,253</u>	<u>3,645</u>	<u>4,204</u>	<u>92</u>	<u>11,949</u>
Excess (deficiency) of revenues over expenditures	586	3,101	4,662	(2,163)	(21)	6,165
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	481	120	601
Transfers out	(308)	(2,691)	(2,024)	(1,917)	-	(6,940)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(308)</u>	<u>(2,691)</u>	<u>(2,024)</u>	<u>(1,436)</u>	<u>120</u>	<u>(6,339)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND						
Change in fund balances	278	410	2,638	(3,599)	99	(174)
Fund balances at beginning of year	1,557	21,976	5,316	18,283	1,645	48,777
FUND BALANCES AT END OF YEAR	<u>\$ 1,835</u>	<u>\$ 22,386</u>	<u>\$ 7,954</u>	<u>\$ 14,684</u>	<u>\$ 1,744</u>	<u>\$ 48,603</u>



WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants / Management Consultants

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Members of the Council
of the Redevelopment Agency of the
City of Oakland

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting (Findings 2008-01, 2008-02).



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Agency responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Agency Council members, the finance and management committee, the Agency's management and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company, LLP

Oakland, California
December 4, 2008

Redevelopment Agency of the City of Oakland
Schedule of Findings and Responses
June 30, 2008

Significant Deficiencies

Finding 2008-01: Accounting for Capital Assets

Criteria: The COSO framework recognizes that an entity must first have in place an appropriate set of financial reporting objectives. At a high level, the objective of the financial reporting is to prepare reliable financial statements, which involves attaining reasonable assurance that the financial statements are free of material misstatements.

Condition: Improper recording of capital asset transactions

Cause: There was a lack of review of property held for resale by ORA management and poor communication by ORA management with the Controller's Office, regarding changes in intended uses of properties held for resale.

Effect: Material audit adjustments were required for capital asset accounts during the audit process.

Recommendation: We recommend that the Agency revise its procedures to include periodic reviews of capital assets and land held for resale accounts to ensure all property is properly classified.

Client response:

The Redevelopment Agency in collaboration with the City of Oakland's Real Estate division have systems and procedures in place that will allow for the proper review, monitoring and reporting of Agency owned property held for resale, as well as, procedures for maintaining necessary lines of communications with the Controller's office. Agency staff will work with the staff of the Controller's office to ensure that those procedures are current and followed by both parties thereby decreasing the potential to have a miscommunication or improper reporting.

Finding 2008-02: Ineffective Controls over the Period-End Financial Reporting Process

Criteria: The COSO framework for effective internal control over financial reporting states that control activities relating to reliable financial reporting should be established and communicated throughout the organization with corresponding procedures resulting in management directives being carried out. Although there are written policies and procedures for the recording of conversion entries for reporting purposes, we found that these procedures and controls did not address all aspects of the reporting process.

Condition: Controls over the year-end financial reporting process need to be strengthened.

Cause: The established policies and procedures did not address proper classification of certain revenues in the government-wide Statement of Activities.

Effect: Transactions were improperly recorded during the reporting process, which required adjustment during the audit.

Redevelopment Agency of the City of Oakland
Schedule of Findings and Responses
June 30, 2008

Significant Deficiencies

(Continued)

Recommendation: We recommend that the Agency provide additional training, guidance and supervision to accounting personnel regarding the year-end financial reporting - process.

Client response:

Even though there is no impact on ORA's net assets, management agrees with the finding and will provide additional training and guidance for staff responsible for report preparation.

APPENDIX C

REPORT OF THE FISCAL CONSULTANT

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REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)

**PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES**

May 4, 2009

I. Introduction

The Redevelopment Agency of the City of Oakland (the Agency), located in Alameda County, California (the County), is proposing to issue its Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the Bonds) secured by the tax increment revenues generated from the original portion of the Central District Redevelopment Project (herein referred to as the Original Project Area) and the territory added by the Twelfth Amendment (herein referred to as the 2002 Amendment Area). Taken together the Original Project Area and the 2002 Amendment Area are referred to in this report as the Project Area. The Agency is issuing the Bonds to finance certain redevelopment activities within or to the benefit of the Project Area; and to pay the costs associated with the issuance of the Bonds.

The California Community Redevelopment Law (the Law) provides for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorizes the Agency to receive that portion of property tax revenue produced by such taxable value that is in excess of the taxable value within the project area at the time of the project area's adoption. The tax revenues so derived are generally referred to as Tax Increment Revenues. The Law provides that the Tax Increment Revenues may be pledged by the Agency to the repayment of agency indebtedness.

The purpose of this Fiscal Consultant's Report is to examine the assessed values for the current fiscal year and project for the current and nine subsequent fiscal years the amount of Tax Revenue to be received by the Agency from the Project Area. For purposes of this report, Tax Revenues are Gross Tax Increment Revenue and Unitary Revenues less SB 2557 County Administrative charges, the Housing Set-Aside Requirement and Statutory Tax Sharing Payments.

Debt Service payments on the Bonds are subordinate to debt service payments for the Agency's Central District Redevelopment Project, Senior Tax Allocation Bonds, Series 1992 (the Senior Bonds) and on parity with the pledge to secure other bonds and parity debt (the Parity Debt) issued or to be issued pursuant to the terms of the Indenture including the Agency's previously issued Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003, currently outstanding in the amount of \$100,835,000 and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 currently outstanding in the amount of

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\$31,970,000 and the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) currently outstanding in the amount of \$27,975,000. All Tax Revenues in excess of the amounts required for payment of debt service on the Senior Bonds will be utilized equally for payment of debt service on the Bonds and the Agency's Parity Debt. Tax Revenues from the Project Area will be pledged to the payment of debt service on the Bonds and the Parity Debt. As a result of our research, we project the Tax Revenue for the Project Area to be as shown in the table below (000's omitted):

**Table A
Projected Tax Revenues**

Fiscal Year	Gross Revenue	Housing Set-Aside Requirement ¹	County Admin. Charges	Statutory Tax Sharing	Tax Revenue
2008-09	\$50,155	\$10,031	\$306	\$3,555	\$ 36,263
2009-10	52,309	10,462	319	3,990	37,538
2010-11	53,286	10,657	325	4,190	38,114
2011-12	54,282	10,856	331	4,394	38,701
2012-13	55,297	11,059	337	4,601	39,299
2013-14	56,332	11,266	344	4,813	39,907
2014-15	57,386	11,477	350	5,028	40,345
2015-16	58,461	11,692	357	5,248	40,791
2016-17	59,598	11,920	364	5,476	41,274
2017-18	60,760	12,152	371	5,708	41,769

Tax Revenues reflect the Agency's revenues after provision for fees, Housing Set-Aside Requirement and tax sharing obligations that are superior to debt service. These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of Alameda County. Future year assessed values and Tax Revenues are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy and this Report is not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Areas

The City Council of the City of Oakland adopted the Central District Urban Renewal Plan (the Plan) on June 12, 1969. The plan was amended by Ordinance No. 10822 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. The Plan was also amended or supplemented by the adoption of ordinances on January 21, 1971, May 29, 1973, December 16, 1975, December 12, 1978, June 12, 1979, August 3, 1982, October 2, 1984, June 11, 1985, March 27, 1990, February 18, 1997, October 27, 1998, December 20, 1994, July 24, 2001, January 6, 2004 and July 20, 2004. The amendment approved by Ordinance No. 10256 on August 3, 1982 added territory to the original boundaries of the Plan (the 1982 Amendment Area). The parcels within the territory that was added by this amendment were, at that time, all

¹ The Housing Set-Aside Requirement is reflective of only the legally required 20% Set-Aside. The Agency voluntarily sets aside an additional 5% of Gross Revenues. This additional amount is subordinate to debt service on the Bonds. See Section V.

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owned by state and federal governmental agencies. The 2002 Amendment Area was adopted on July 24, 2001 and added an additional 14.86 acres of new territory to the Plan. The 2002 Amendment Area was eligible to receive tax increment revenue for the first time in fiscal year 2002-03; however, no assessed value was reported for 2002 Amendment Area by the Auditor-Controller for that fiscal year. The first fiscal year for which revenue was allocated was 2003-04.

A. Land Use

The following table illustrates the breakdown of land uses and valuations in the Project Area by assessed value for Fiscal Year 2008-09. The land use categories are based on the lien date tax roll for Fiscal Year 2008-09. Unsecured and State Board of Equalization assessed values are assigned to parcels already accounted for in other categories.

**Table B
Project Area Land Use Categories**

Category	Parcels	Net Taxable Value	%
Residential	3,295	\$1,272,510,687	29.39%
Commercial	1,264	\$2,181,339,869	50.37%
Industrial	329	\$204,183,074	4.72%
Recreational	31	\$5,160,992	0.12%
Institutional	50	\$14,483,391	0.33%
Vacant	407	\$319,983,413	7.39%
Exempt	192	\$0	0.00%
Secured Non-Unitary Utilities		\$1,478,450	0.03%
Unsecured		\$331,375,983	7.65%
Total Value:	5,568	\$4,330,515,859	100.00%

Both the Original Project Area and the 2002 Amendment Area contain a number of vacant parcels. The Original Project Area's 392 vacant parcels include 272 Assessor's parcels that are condominiums under construction. The remaining 120 parcels listed as vacant are generally small, infill parcels. The 2002 Amendment Area contains 15 vacant parcels that are also small and scattered within the 2002 Amendment Area.

B. Redevelopment Plan Limits

In accordance with the Law, redevelopment plans adopted after October 1, 1976 are required to include a limitation on the number of tax increment dollars that may be allocated to the Agency, and a time limit on the establishment of indebtedness to be repaid with tax increment. In addition, if the plan authorizes the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time must be included.

For those redevelopment plans adopted prior to October 1, 1976 that did not contain these limits, the legislative body was required to amend the redevelopment plans by ordinance not later than December 31, 1986. The amendment was required to include provisions to limit the number of tax increment dollars that could be allocated to the agency pursuant to the plan, to establish a time limit to create debt to be repaid with tax increment, and to limit the commencement of eminent domain.

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Chapter 942, Statutes of 1993, established further limits on redevelopment plans. Chapter 942 restricted the life span of redevelopment plans adopted prior to 1994. The time limit for establishing indebtedness was limited to 20 years from the adoption of the redevelopment plan or January 1, 2004, whichever was later. The life of the existing redevelopment plans was limited to 40 years from the date of adoption or January 1, 2009, whichever is later. Finally, a redevelopment agency is restricted from paying indebtedness with tax increment beyond 10 years after its redevelopment plan expires except to fund deferred Housing Set-Aside Requirements and to repay indebtedness incurred prior to January 1, 1994.

The 1982 Added Area possesses its own tax increment limit of \$75 million but the time limits required by law are identical to those of the Original Project Area. Because the 1982 Added Area consists almost exclusively of government owned buildings and, until 2000-01, produced no tax increment revenue, for purposes of this report we have included this area within the Original Project Area. The total amount of tax increment revenue generated by the 1982 Added Area since 2000-01 is estimated to be \$4,476,244.

Pursuant to Chapter 942, on December 20, 1994 the Agency adopted Ordinance No. 11762 for the purpose of amending the Plan to add time limits to conform to the provisions of Chapter 942. On July 24, 2001, the Plan was further amended by the adoption of Ordinance No. 12348 C.M.S. This ordinance extended the plan expiration to June 12, 2009.

On January 6, 2004, the City Council adopted Ordinance No. 12570 that, in accordance with the Law, amended the redevelopment plan and eliminated the time limit on establishment of new indebtedness (see Section VI Legislation). On July 20, 2004, the City Council adopted Ordinance No. 12617 C.M.S. that, in accordance with the Law as amended by Senate Bill 1045 (see Section VI Legislation), extended by one year the termination date of the Plan and by extension the last date to repay indebtedness. Legislation adopted by Senate Bill 1096 in connection with the State's budget provided that the termination dates of redevelopment plans with less than 20 years remaining may be extended by one year for each of the two ERAF payments that redevelopment agencies are obligated to make under other provisions of the budget legislation. The Agency has made the requisite ERAF payments and has adopted this amendment in connection with the Original Project Area.

The Plan limits the Agency to the receipt of \$1,348,862,000 in tax increment revenue over the life of the Plan within the Original Project Area. As indicated above, the tax increment limit for the 1982 Added Area is \$75 million. According to County records, through Fiscal Year 2007-08, the Agency has been allocated \$682,744,822 of tax increment revenue within the Original Project Area and the 1982 Added Area. This is inclusive of those small amounts that may have been allocated from properties within the 1982 Added Area. The amount of tax increment revenue allocated from the 1982 Added Area is not identified by the Auditor-Controller. Based on incremental values and tax rates for this area since its adoption, it is estimated that a cumulative total of \$4,476,244 has been received from the 1982 Added Area. Based on the projection of revenues over the life of the Original Project Area, its tax increment limit will be reached during fiscal year 2019-20 and no additional revenue will be allocated to the Original Project Area for 2020-21, the final year that the Agency may repay indebtedness from Original Project Area revenues. If growth within the Original Project Area exceeds the projection it will

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reach the tax increment limit earlier. The Agency intends to process an amendment to the Plan that would increase the cumulative tax increment limit and extend the Plan expiration date by ten years as provided by Section 33333.10 of the Law. These amendments are prospective and have not been considered in the projections.

The 2002 Amendment Area is subject to the limitations defined in the Law for project areas adopted after January 1, 1994. Under the Law, project areas adopted after January 1, 1994 terminate their effectiveness not more than 30 years from the date of their adoption. Loans, advances and other forms of indebtedness may not be repaid beyond 45 years following the date of adoption of the redevelopment plan. Except for certain expenditures from the Housing Fund, redevelopment plans adopted after January 1, 1994 may not establish any new debt to be repaid from tax increment revenue beyond 20 years from the date of adoption and eminent domain proceedings may not be initiated beyond 12 years from the adoption date. Redevelopment plans adopted after January 1, 1994 are not required to have limits on the amount of tax increment revenues that may be received annually or over the life of the plan. Table C below summarizes the currently applicable redevelopment plan limits for the Project Area.

**Table C
Applicable Redevelopment Plan Limits**

Project Area	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit	Tax Increment Collected Through 2007-08
Original Project Area	June. 12, 2012	Eliminated	June 12, 2022	\$1,348,862,000	\$678,268,578
1982 Added Area	June 12, 2012	Eliminated	June, 12, 2022	\$75,000,000	\$4,476,244
2002 Amendment Area	July 24, 2032	July 24, 2021	July 24, 2047	No Limit	\$1,112,792

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties, which are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous to the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the current year and the most recent ten fiscal years beginning with 1999-00 (see Table 3).

Since 1999-00, the Original Project Area has steadily added assessed value. The 2008-09 values are over \$2.36 billion (147.79%) higher than the values for 1999-00. This growth has been substantially the result of increases in assessed value on the secured tax roll. Unsecured assessed values have declined by \$4.4 million (-1.35%) since 1999-00 despite significant gains in unsecured value in some years. For 2008-09 unsecured values constitute 7.6% of all valuation within the Original Project Area. Improvement value on the secured tax roll has led the way by

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increasing \$1,816,399,824 (133.96%) since 1999-00. The information outlined above is based on the lien date tax rolls as provided by the Alameda County Assessor.

The 2002 Amendment Area became eligible to receive tax increment revenue for the first time in 2003-04 and had positive incremental value of \$23,685,062 in that fiscal year. The 2002 Amendment Area experienced a decline in value for 2004-05 of \$3,889,823 (9.86%). This decline in value was almost entirely within the improvement value on the secured tax roll and was attributable to reductions in value on two parcels owned by OTAC Block 24 LLC (Oakland Telecom Access Center). These parcels were reduced in value for 2004-05 by a combined total of \$5,921,310 that was partially offset by increases in value on other parcels within the 2002 Amendment Area. The assessed values within the 2002 Amendment Area declined further for 2005-06 as secured values dropped by \$6,818,968 (20.1%). This reduction in value was wholly attributable to reductions due to assessment appeals on two parcels owned by Jack London Technology Center LLC. These parcels are the same parcels that in prior years were listed as being owned by OTAC Block 24 LLC. Increases in value on all other parcels in the 2002 Amendment Area partially offset these reductions in value. The 2002 Amendment Area experienced modest growth in assessed value for 2006-07 (4.55%) and in 2007-08 (2.98%) but increased in value by \$14.1 million (45.4%) for 2008-09. Of this growth for 2008-09, \$10.6 million was from the secured tax roll values and \$3.5 was from the unsecured tax rolls. Much of this value increase appears to be the result of property improvements connected with the location of Pixar Animation Studios to a location within the property owned by 365 Jack London Square LLC at 720 Second Street and at 229 Castro Street.

The Alameda County Assessor reviewed made adjustments as needed to 2008-09 residential properties sold between July 2004 and December 2007. The Assessor reviewed a total of 65,000 parcels countywide and made value adjustments on 50,000 of these parcels. This action reduced the 2008-09 value on these parcels by \$3.1 billion (-1.71%) from the assessed values for 2007-08. Despite this action, the Project Area's residential values have risen each year and the number of residential parcels has increased by 100 to 300 per year since 2004-05. Residential assessed value within the Project Area for 2008-09 is up by \$134.8 million (11.9%) over the residential values for 2007-08. While some parcels were reduced in value for this year, any such reductions were substantially overshadowed by the upward changes in value from resale of properties, new development and inflationary growth on properties not sold or reassessed in recent years.

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Project Area for Fiscal Year 2008-09 was conducted. A list of the top ten property owners for the Project Area component areas and the number of parcels attributed to each owner, are presented on Tables 4 of the projection. None of the top taxpayers within the 2002 Amendment Area are among the top taxpayers of the Project Area. The secured and unsecured value of these parcels is compared to the full taxable assessed value of the Project Area.

The top property owner within the Project Area is the OCC Venture LLC with a taxable value of \$199,325,379 on nine parcels owned. These parcels contain office buildings of five stories or more. The combined secured taxable value of the Project Area's top ten taxpayers totals

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\$1,071,901,839 that is 26.8% of the total secured taxable value. The combined unsecured taxable value of the top ten taxpayers totals \$38,567,202 or 11.64% of the Project Area's total unsecured taxable value. The top ten taxpayer taxable secured and unsecured value together total \$1,110,469,041 or 25.64% of all taxable value. Because the Project Area is in the downtown area, the majority of the top taxpayers own property that is in commercial and/or industrial use. Residential uses within the Project Area are, for the most part, multifamily, high-density residential properties. The values controlled by the top ten taxpayers make up 28.43% of the secured incremental value, 14.34% of the unsecured incremental value and 27.49% of the total incremental value.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the property tax lien date. The lien date is January 1 for state and locally assessed property. Real Property reflects the reported assessed values for secured and unsecured land and improvements. Pursuant to Article XIII A of the State Constitution the value of locally assessed Real Property may only be increased up to two percent annually to reflect inflation. The inflation factor used for 2008-09 was two percent. We have projected the inflation rate for all future fiscal years at two percent. Real Property values are also permitted to increase as a result of a change of ownership or new construction. Utility property assessed by the State Board of Equalization may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual two percent limit of locally assessed Real Property.

Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment. It is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property. Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included projected amounts of revenue that could result from Supplemental Assessments in our projections. The amounts of revenue received by

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the Agency from Supplemental Assessments from 2002-03 through 2007-08 are shown in Table D below.

**Table D
Historical Supplemental Revenue**

<u>Fiscal Year</u>	<u>Supplemental Revenue</u>
2002-03	\$1,929,904
2003-04	\$1,389,760
2004-05	\$ 982,902
2005-06	\$2,543,046
2006-07	\$2,681,991
2007-08	<u>\$2,300,228</u>
Total:	\$11,827,831

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the General Levy Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate. The Override Tax Rate is that portion of the tax rate that exceeds the General Levy Tax Rate in order to pay voter-approved indebtedness or contractual obligations that existed prior the enactment of Proposition XIII. The tax rate for secured property is annually adjusted to reflect the Override Tax Rate levied for the current year. The tax rate for unsecured property is set at the previous year's tax rate on secured property.

A Constitutional amendment approved in June 1983 allows the levy of Override Tax Rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation of Override taxes to redevelopment agencies for repayment of indebtedness approved by the voters after December 31, 1988. The Override Tax Rates typically decline each year as a result of (1) increasing property values (which would reduce the Override Rate needed to be levied to meet debt service) and (2) the eventual retirement of debt over time. Within the Project Area, three Override Tax Rates have been approved after December 31, 1988. These tax rates are for the Oakland Unified School District, the Peralta Community College District, Bay Area Rapid Transit District and the City of Oakland. These portions of the Override Tax Rate have been omitted from the calculation of projected revenue.

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The projections are based on the 2008-09 secured tax rates. The 2008-09 unsecured tax rate is properly the 2007-08 secured tax rate. All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that is applied to secured and unsecured value in calculating the projected 2008-09 revenues are as follows:

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**Table E
2008-09 Secured Tax Rate**

		Termination Date
General Levy	1.0000	
East Bay Regional Park 1	.0100	2020
EBMUD Special District 1	.0064	2015
City of Oakland	<u>.1575</u>	<u>2026</u>
Total RDA Eligible Tax Rate:	1.1739	
<u>Non-RDA Eligible Tax Rates</u>		
Oakland U.S.D. Bonds	.0835	
Peralta Community College Dist.	.0362	
Bay Area Rapid Transit District	.0090	
City of Oakland	<u>.0354</u>	
Total Tax Rate:	<u>1.3380</u>	

The Override Rate approved by voters before 1989 and levied by the City of Oakland is authorized for long term funding of pension funds and has been authorized through 2026. The Override Tax Rate levied by the East Bay Regional Parks District will not be retired until 2020. The EBMUD Special District override rate will be retired in 2015 and will no longer exist after Fiscal Year 2014-15. We have incorporated the appropriate retirement dates of these Override Tax Rates in the projection.

D. Allocation of Taxes

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County disburses Tax Increment Revenue to all redevelopment agencies in two equal installments that are typically made in December and April of each fiscal year.

In accordance with Revenue and Taxation Code Section 4701ff, the County utilizes an alternative method for the distribution of tax revenue to taxing agencies known as the Teeter Plan. Under this method, the taxing entities, including redevelopment agencies in Alameda County receive 100 percent of the taxes levied on the extended tax roll subject to correction, cancellation and refunds. The tax revenues of the Agency are not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. Counties utilizing the Teeter Plan are required to maintain a fund in an amount determined by the code that is to be used to cover losses that may occur as a result of property tax delinquencies.

E. Assessment Appeals

A review of the assessment appeal history in the Project Area was conducted. There are no pending assessment appeals within the 2002 Amendment Area and no assessment appeals have been filed in the 2002 Amendment Area since 2003-04. Since Fiscal Year 2004-05 there have been 242 assessment appeals filed within the Original Project Area. Of the appeals filed, 133 assessment appeals (54.96%) have been allowed with a reduction in value, 27 assessment appeals (11.16%) have been denied, and 82 assessment appeals remain pending as of September

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11, 2008, the last date for which we have data from Alameda County. The pending appeals have a combined assessed value of \$260,260,872 under appeal and include assessment appeals of value for 2004-05 through 2008-09. It is unclear exactly how much of this value is at risk because many of the owners have not entered owner opinions of value. Of the appeals that were allowed over the period examined, the average reduction in value was 21.41%.

Among the Project Area's top ten taxpayers, only Kaiser Foundation Health Plan Inc. has currently pending appeals on six parcels for fiscal year 2006-07. The table below summarizes the reductions in value sought by these top taxpayers.

**Table F
Assessment Appeals Summary**

<u>Property Owner</u>	<u>Fiscal Year Value Under Appeal</u>	<u>Value under Appeal</u>	<u>Owners Opinion of Value</u>	<u>Requested % Reduction</u>
Kaiser Foundation Health Plan Inc.	2006-07	18,735,520	11,845,785	36.77%
		17,991,782	12,722,059	29.29%
		16,458,274	12,002,914	27.07%
		16,146,770	13,499,285	16.40%
		5,000,000	3,360,618	32.78%
		6,492,044	0	100.00%

Based on historical averages within the Original Project Area, we estimate that 68 of the currently pending appeals will be allowed with a reduction in value and that the total reduction in value will be \$46,323,858. Within the projection, we have estimated that this reduction in value will affect the assessed value for fiscal year 2009-10. This estimated loss in assessed value represents approximately 1.06% of the projected \$4,377,881,782 assessed value for the Project Area for 2009-10. The data discussed above is summarized in the table below.

**Table G
Assessment Appeals Impact Calculation**

	<u>Total Appeals</u>	<u>Allowed</u>	<u>Denied</u>	<u>Pending</u>
Number of Appeals	242	133	27	82
% of Resolved Appeals		83.13%	16.88%	
Average Reduction		(21.41%)		
Appealed Value Pending				\$260,260,872
Est. No. Allowed				68
Est. Value Reduction				\$46,323,858

F. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter (921) established the current methodology for the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (SBE), other than railroads. Tax revenues derived from unitary property that is assessed by the SBE is accumulated in a single Tax Rate Area for the County. Tax revenues are then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus increases of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any

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increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured and taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area. As a result the base year value of project areas was reduced by the amount of utility value that existed originally in the base year value. The County Auditor-Controller has not allocated any unitary revenue to the Agency for the 2002 Amendment Area in any prior fiscal year and we assume that none will be allocated for the duration of the projection. The amount of unitary revenue that has been allocated to the Original Project Area from 2003-04 through 2007-08 is shown in Table H below.

**Table H
Historical Unitary Revenue**

<u>Fiscal Year</u>	<u>Unitary Revenue</u>
2003-04	\$ 2,347,743
2004-05	\$ 3,225,070
2005-06	\$ 2,206,520
2006-07	\$ 2,127,996
2007-08	<u>\$ 2,740,501</u>
Total:	\$12,647,830

The projection assumes that the annual amount of unitary revenue to be allocated to the Original Project Area will continue to be the same as the amount that was allocated for 2007-08.

G. County Collection Charges

Chapter 466 allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. Within this report, these charges are referred to as the SB 2557 Administrative Fees. For Fiscal Year 2007-08, the amount of the County collection charge attributed to the Project Area was \$298,784, which was 0.61% of the Project Area's 2007-08 Gross Revenues. The Auditor-Controller has not yet established the County Collection Charge for 2008-09. For purposes of these projections, we have assumed that the County will continue to charge the Agency for property tax administration and that such charge will remain at the same percentage of Project Area Gross Revenue as was charged in 2007-08.

V. Low and Moderate Income Housing Set-Aside

Section 33334.6 of the Law requires redevelopment agencies to set aside 20 percent of all tax increment revenues from project areas adopted prior to January 1, 1977 into a low and moderate income housing fund (the Housing Set-Aside Requirement). Sections 33334.2 and 33334.3 of the Law require redevelopment agencies to fund a Housing Set-Aside Requirement for those project areas adopted after December 31, 1976. The Agency can reduce the Housing Set-Aside Requirement if it annually makes certain prescribed determinations that are consistent with the housing element of the general plan. These findings are: (1) that no need exists in the community to improve or increase the supply of low and moderate income housing or (2) some

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stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the housing element of the community's general plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. While such findings were made by the Agency relative to Central District in prior years, no such findings have been made in recent years. No such findings have been made by the Agency relative to 2002 Amendment Area.

On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., that increased the amount of Tax Increment Revenue to be set-aside in the Housing Fund from the 20 percent required in the Law to 25 percent for all of the Agency's project areas that have debt service coverage ratios of 1.2 percent. The resolution provides that this increase in the set-aside amount is subordinate to all existing and future tax allocation bonded indebtedness. This projection of revenue assumes that the Housing Set-Aside Requirement will continue to be fulfilled at 20 percent of the Gross Revenue from the Project Area and that the additional set-aside of 5 percent of Gross Revenue will be fulfilled within the Original Project Area in accordance with the requirements of the adoptive resolution. We have projected the 5 percent additional set-aside as being withheld for 2002 Amendment Area but this may not be required if the 1.2 percent coverage requirement of Resolution No. 01-85 C.M.S. is not met.

VI. Legislation

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City may eliminate the time limit to establish indebtedness in project areas adopted prior to January 1, 1994 by ordinance. When a plan is so amended, existing tax sharing agreements will continue unaffected and certain statutory tax sharing for entities without tax sharing agreements will commence in the fiscal year following the fiscal year when the time limit is exceeded. (See Section VII A below). Second, an agency may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. Project areas that have been adopted after January 1, 1994 may only extend the limitation on incurring new debt by making specific findings. On January 6, 2004, the City Council adopted Ordinance No. 12570 C.M.S. eliminating the limit on incurrence of indebtedness for the Original Project Area. This amendment did not affect the 2002 Amendment Area.

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency could have used any funds legally available and not legally obligated for other uses, including reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-92 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could, after making certain findings, borrow up to 50 percent of its 1992-93 ERAF obligation from the Housing Fund and

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repay the borrowed amount by June, 2003, or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency pays and the total amount due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. The obligation applied to the agency and not to specific project areas. According to the Agency, the obligations referred to above were satisfied.

From 1994-95 through 2001-02, state budgets were adopted with no additional shifting of tax increment from redevelopment agencies. The State Budget for 2002-03 required a shift of \$75 million of tax increment statewide from redevelopment agencies to ERAF to meet a budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and, based upon the methodology provided in the 2002-03 budget, the shift requirement for the Agency was \$1,267,072. This requirement was for Fiscal Year 2002-03 only. This amount did not impact the Agency's ability to fulfill its debt service obligations. This shift of revenue is an obligation of the Agency and not of any particular project area. The Agency was permitted to satisfy this obligation with any legally available funds. The Agency made the required payment to the County by the required deadline of May 10, 2003.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) requires redevelopment agencies statewide to contribute \$135 million to local County Education Revenue Augmentation Funds (ERAF) which reduces the amount of State funding for schools. This transfer of funds is limited to Fiscal Year 2003-04. The amount of revenue that was transferred by the Agency to Alameda County for 2003-04 is \$2,380,469. The Agency made this payment to the County by the May 10, 2004 deadline.

Under the Law as amended by SB 1045, the Agency was authorized to use a simplified methodology to amend Central District redevelopment plans to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years may be deducted from the amount of Central District cumulative tax increment revenues. The City Council adopted Ordinance 12617 C.M.S. on July 20, 2004. By its approval of this ordinance, the City Council extended by one year the effective life of the redevelopment plan for the Original Project Area and the 2002 Amendment Area and the period within which the Agency may repay indebtedness from tax increment revenues. The limits used in the projection reflect this extension and they have been incorporated into the projection of tax revenue.

The State's budget for 2004-05 was approved by the legislature and signed by the Governor. Senate Bill 1096 is a trailer bill that deals with local government. Based on SB 1096, redevelopment agencies will lose \$250 million to ERAF in each of the next two fiscal years using the same formula as was used for 2003-04. Annual payments continued to be due on May 10 of each fiscal year. As in previous years, payments could be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was permitted to borrow up to 50 percent of the current year housing set-aside amount, however, the borrowed amount had to be repaid to the Housing Fund within 10 years of the last ERAF payment (May

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10, 2006). The Agency made ERAF payments of \$4,706,826 for 2004-05 and \$4,669,367 for 2005-06.

For redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, the plans were allowed to be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans could be extended by one year for each year that an ERAF payment is made if the City Council finds that the Agency is in compliance with specified state housing requirements. These requirements were: 1) that the Agency is setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans are in place; 3) replacement housing and inclusionary housing requirements are being met; and, 4) no excess surplus exists. If a redevelopment plan had more than 20 years of effectiveness remaining after June 30, 2005, it could not be extended. The Original Project Area was eligible to have its termination date extended for each of the ERAF payments required by this legislation. The Agency has adopted these extensions and they have been incorporated in the projections. No such extension was possible for the 2002 Amendment Area.

In order to make such extensions of redevelopment plan effectiveness, the City Council had to amend the redevelopment plan by ordinance after noticed public hearing and after making the finding that revenue paid to ERAF would "otherwise have been used to pay the costs of programs, projects, and activities necessary to carry out the goals and objectives of the redevelopment plan." ERAF payment amounts authorized under this legislation did not count against the Project Area tax increment limits. If an agency's limit on incurring new indebtedness expired on or before January 1, 2004, this time limit was permitted to be extended to July 1, 2006 for the sole purpose of making these ERAF payments without incurring tax sharing payment obligations under Section 33607.5 of the Law. ERAF payments were subordinate to new and existing repayment obligations for bonded indebtedness.

The Governor recently signed AB 1389 into law. This legislation requires a \$350 million shift of tax increment revenues from redevelopment agencies to ERAF during 2008-09. There will be no repayment of this amount and there will be no extensions of redevelopment plan limits. The Low and Moderate Housing Requirement will not apply to the amount paid for the ERAF. The Agency will be required to pay \$8,456,590. The payment may come from any available Agency revenues. The Agency may borrow up to 50 percent of the ERAF obligation from its current year Housing Set-Aside Requirement. The ERAF payment is subordinate to the payment of debt service on indebtedness existing at the date of enactment of AB 1389. An Agency that cannot make the payment due to existing indebtedness may borrow from their legislative body. Failure to make the ERAF payment will result in penalties that effectively stop new activities of the Agency. This legislation mandates this ERAF shift only for fiscal year 2008-09. This payment obligation has not been included in the projections of Tax Revenue.

The California Redevelopment Association (the CRA) and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the AB 1389 provisions requiring the \$350 million shift of tax increment revenues from redevelopment agencies to ERAF. The lawsuit sought to invalidate the provisions of AB 1389 requiring the tax increment transfer to ERAF and to prohibit the State from forcing county

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auditors to divert these redevelopment funds to ERAF. A ruling on this suit by the Sacramento County Superior Court was filed on April 30, 2009. The Court found in favor of the plaintiffs, ruling that the requirement that these funds be taken from redevelopment agency revenues and paid into county ERAF accounts was unconstitutional in that this use of redevelopment tax increment revenues conflicts with and violates the Law requiring that tax increment revenues be used to finance redevelopment activities.. This ruling obviates the requirement to make the ERAF payment described in the previous paragraph. It is expected that the State will appeal the ruling.

AB 1389 also contains provisions requiring redevelopment agencies with statutory tax sharing obligations to report the amount of statutory tax sharing payments owed in each fiscal year beginning with 2003-04, the amounts of this obligation that have been paid and any amounts that have not been paid. This legislation also requires that redevelopment agencies pay those statutory tax sharing amounts owed or face severe penalties that, if invoked, will effectively eliminate an agency's ability to undertake new redevelopment activities. The Agency it has made the required tax sharing payments and has reported these payments to the County Auditor-Controller. The Auditor-Controller has reviewed the Agency's submittal and forwarded it to the State Controller's Office with concurrence. The Agency has received correspondence from the State Controller's Office confirming that it has met all requirements of AB 1389 and that it is not subject to sanctions.

Beyond the ERAF provisions described above, the Agency cannot predict whether the State Legislature will enact any other legislation requiring additional or future shifts of tax increment revenues to the State and/or to schools through an arrangement similar to ERAF or by other arrangements. If such changes are enacted they may have an effect on the Agency's future Tax Revenues. The State is expected to continue experiencing budget difficulties for fiscal year 2008-09, 2009-10 and perhaps for future years. This could lead to additional efforts by the State to shift Agency revenues to ERAF or some other fund.

Senate Bill 530 was recently introduced. This bill was drafted to revised language in Sections 33607.5 and 33607.7 of the Law in order to remove vagueness and make the calculation of the statutory tax sharing payments more uniform from county to county. The legislation, if approved, will also require that the statutory tax sharing payments required by Section 33607.7 continue until a project area is no longer able to repay indebtedness. The statute as currently enacted requires these payments to continue until expiration of the redevelopment plan. It is unknown at this time whether this bill will be approved or if it will be approved with the current language. The projection has been modified, however, to extend the statutory tax sharing payments within the Original Project Area (including the 1982 Added Area) through the last date that debt may be repaid.

VII. Tax Sharing Obligations and Other Obligations

The Agency has not entered into any tax sharing agreements in connection with the Project Area. As the result of the Agency's elimination of the time limit on incurrence of indebtedness for the Original Project Area, the Agency is obligated to make statutory tax sharing payments pursuant

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to Section 33607.7 of the Law. Tax sharing payments will be made to all taxing entities in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. Since the former time limit on incurrence of new debt for the Original Project Area was January 1, 2004, these statutory tax-sharing payments began in fiscal year 2004-05 and use the valuation for 2003-04 as the adjusted base year.

The annual tax sharing amount to be divided among the affected taxing entities is 25% of the revenue derived from the difference in assessed value between the adjusted base year value and the current year value net of a 20% share for the Housing Set-Aside requirement. According to the Law, these statutory tax sharing payments will continue through the last fiscal year within which the Original Project Area is able to repay indebtedness. The second tier of statutory tax sharing payments required by Section 33607.7 will be initiated in fiscal year 2014-15 and will use the Original Project Area assessed values for 2013-14 as a second adjusted base year value. The annual tier 2 tax sharing amount to be divided among the affected taxing entities is 21% of the revenue derived from the difference in assessed value between the second adjusted base year value and the current year value net of a 20% share for the Housing Set-Aside requirement. A third tier of statutory tax sharing will not be initiated prior to the expiration of the Original Project Area's ability to repay indebtedness.

Within the 2002 Amendment Area, pursuant to Section 33607.5 of the Law statutory tax sharing payments began in 2003-04, the first year that the 2002 Amendment Area received Tax Increment Revenue. The Agency is obligated to pay all taxing entities on a prorated basis 25% of the revenue generated by the 2002 Amendment Area's annual incremental value net of the Housing Set-Aside Requirement. Beginning in 2013-14 and using the 2012-13 assessed values as a base value for the second tier of statutory tax sharing payments, the Agency will additionally be obligated to pay the taxing entities 21% of the revenue generated by the 2002 Amendment Area's annual second tier of incremental value net of the Housing Set-Aside Requirement. The third tier of statutory tax sharing payments is initiated in fiscal year 2033-34 and using the sub-area's 2032-33 assessed values as a base value, the Agency will additionally be obligated to pay the taxing entities 14% of the revenue generated by the 2002 Amendment Area's annual third tier of incremental value net of the Housing Set-Aside Requirement.

Within the Original Project Area, the Agency has entered into two Disposition and Development Agreements that require it to reimburse the developers a portion of the property taxes that result from the developments in question. The agreement with the developers of the Rotunda Garage obligates the Agency to pay to the developer the tax revenues generated by the project's development after deducting prorated portions of the Agency's housing set-aside, tax sharing and ERAF obligations. Also within the Original Project Area, the Agency has entered into an agreement with Forrest City in connection with development of the Uptown Project. This agreement requires the Agency to pay to the developer the tax revenues generated by the project's development after deducting prorated portions of the Agency's tax sharing and ERAF obligations. Payments under the Rotunda Garage and Uptown agreements are subordinate to the payment of debt service on the Bonds and on other Agency bonded indebtedness.

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VIII. Recent Court Decisions

Santa Ana Decision

The State Court of Appeals upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1999 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school district and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the 2% Property Tax Increase).

Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290). The changes to the Law contained in AB1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan. Central District was adopted before Section 33676(a)(2) was incorporated in the Law and 2002 Amendment Area was adopted after this section of the Law was repealed. This decision does not, therefore, impact the Project Area.

IX. New Development

Substantial additional value will be added to the values for Fiscal Year 2009-10 due to transfers of ownership on parcels within the Project Area. These transfers of ownership have been confirmed by the recordation of grant deeds or other documentation filed with the Alameda County Recorders Office and occurred between the January 1, 2008 lien date and November 15, 2008. The amount added to the Project Area valuation for 2009-10 is \$12,359,204. This includes 98 transferred properties of various types.

A number of new developments are currently under construction within the Project Area. These developments will result in the addition of more than 1,641 new housing units and new commercial space. Three new developments are presently nearing completion or have been recently completed (see Table 5 attached). These new developments will add or have added 1,035 apartment units. These developments have substantial value on the current 2008-09 tax roll and are expected to add an additional \$137.2 million to the tax roll for 2009-10 as their total assessed value is fully enrolled. Five additional developments are under construction and have substantial assessed value enrolled for 2008-09 but their completion dates are uncertain and they have not been included in the projection of tax revenues. These additional developments are expected to add \$94.2 million in new assessed value by 2010-11.

X. Trended Taxable Value Growth

Growth in real property land and improvement values have been limited to an assumed rate of growth of real property taxable values of two percent annually as allowed under Article XIII A of the State Constitution. A two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and this rate of growth has been achieved in all but five years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%) and 1999-00 (1.85%) and 2004-05 (1.867%). If in future years the growth of taxable value in the project area is less than two percent, the resultant Tax Revenues could be reduced.

As a result of the recent nationwide increase in defaults on residential mortgages there has been concern expressed in the financial market over the possible impact that these defaults may have on redevelopment agency revenues in general. Reliable information on foreclosure activity is difficult to find and what information that is available is not readily applicable to discrete areas within cities and redevelopment project areas. Much of the information available is segregated by county or ZIP code.

A review of the RealtyTrac website as of this date shows that the City of Oakland is listed as having 2,069 properties that are subject to pre-foreclosure, 896 that are up for auction and 2,849 that are owned by the lender. All of these properties combined account for 5,814 (6.2%) of the 93,613 residential properties within the City. The Project Area includes 3,295 residential parcels or about 3.5% of all residential properties within the City. This foreclosure data is based on information aggregated by ZIP code. There are a number of ZIP codes that overlay the city limits and these ZIP codes also contain areas of County unincorporated territory. As a result some numbers of the properties that are subject to foreclosure activity are likely outside the Project Area as well as outside the City.

According to RealtyTrac, the Notices of Default are based on the number of properties where there are public records that a property owner has missed scheduled loan payments for a loan secured by a property. Notices of Trustee Sale are based on the number of properties where a document has been filed announcing the public sale of a property to recover a debt owed by the owner of the property. These notices are mailed to the parties affected by the sale of the property, are advertised in local publications and are recorded as public records. Real Estate Owned by Lender reflects the number of properties that are now owned by the lender as the result of a foreclosure. Each of these steps is the precursor to the next step in the foreclosure process. Generally the foreclosure process may be halted by the property owner by or the borrower paying the amount that is in default on the loan and bringing the loan current.

HdL Coren & Cone makes no representation that taxable values will actually grow at two percent. Future values will also be affected by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section IV A above). Seismic

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activity and environmental conditions such as hazardous substances that are not anticipated in this report might also impact property taxes and Tax Increment Revenue. Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Alameda County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the individual appraiser's judgment. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

Oakland Central District 2009/FCR 2009 ds Final Revised

**Oakland Redevelopment Agency
Central District & 2002 Annex Redevelopment Project**



Projection of Incremental Taxable Value & Tax Increment Revenue
(000's Omitted)

05/04/09

Table 1

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	
Taxable Values (1)											
Real Property (2)	4,148,033	4,334,129	4,420,812	4,509,228	4,599,413	4,691,401	4,785,229	4,880,933	4,978,552	5,078,123	
Personal Property (3)	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	<u>182,482</u>	
Total Projected Value	4,330,516	4,516,612	4,603,294	4,691,710	4,781,895	4,873,883	4,967,711	5,063,416	5,161,034	5,260,605	
Taxable Value over Base	291,021	4,039,495	4,225,590	4,312,273	4,400,689	4,490,874	4,582,862	4,676,690	4,772,395	4,870,013	4,969,584
Gross Tax Increment Revenue (4)	47,415	49,568	50,545	51,542	52,557	53,591	54,646	55,720	56,857	58,020	
Unitary Tax Revenue (5)	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	<u>2,741</u>	
Gross Revenues	50,155	52,309	53,286	54,282	55,297	56,332	57,386	58,461	59,598	60,760	
LESS											
SB 2557 Admin. Fee (6)	(306)	(319)	(325)	(331)	(337)	(344)	(350)	(357)	(364)	(371)	
Housing Set Aside Requirement (7)	(10,031)	(10,462)	(10,657)	(10,856)	(11,059)	(11,266)	(11,477)	(11,692)	(11,920)	(12,152)	
Tier 1 Statutory Tax Sharing Payments (9)	(3,555)	(3,990)	(4,190)	(4,394)	(4,601)	(4,813)	(5,028)	(5,248)	(5,476)	(5,708)	
Tier 2 Passthrough to All Taxing Entities (9)	0	0	0	0	0	(2)	(186)	(374)	(565)	(760)	
Tier 3 Passthrough to All Taxing Entities (9)	0	0	0	0	0	0	0	0	0	0	
Tax Revenues	36,263	37,538	38,114	38,701	39,299	39,907	40,345	40,791	41,274	41,769	
Rotunda Garage DDA (8)	(42)	(48)	(49)	(50)	(68)	(70)	(71)	(72)	0	0	
Uptown Development DDA (8)	(656)	(732)	(748)	(763)	(779)	(796)	(812)	(829)	(847)	(866)	
Added Housing Set-Aside (7)	(2,508)	(2,615)	(2,664)	(2,714)	(2,765)	(2,817)	(2,869)	(2,923)	(2,980)	(3,038)	
Net Tax Revenue	<u>33,057</u>	<u>34,142</u>	<u>34,653</u>	<u>35,173</u>	<u>35,686</u>	<u>36,225</u>	<u>36,592</u>	<u>36,966</u>	<u>37,447</u>	<u>37,866</u>	

- (1) Taxable values as reported by Alameda County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually and for transfers of ownership occurring after 1/1/2008. Assessed values for 2009-10 are reduced by \$46.3million for projected losses on pending assessment appeals.
- (3) Personal property is held constant at 2008-09 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 after 1988. The assumed future tax rates decline to \$1.1655 per \$100 and remain at that amount through 2020-21 when the East Bay Recreation & Parks override rate is eliminated. The remaining City override rate remains in effect until it expires and is eliminated in 2027.
- (5) Unitary revenue as reported by Alameda County for 2007-08.
- (6) County Administration fee is estimated at 0.61% of Gross Revenue.
- (7) Housing Set Aside Requirement is calculated at 20% of Gross Revenue. The Agency has at it's own election chosen to set aside an additional 5% of Gross Revenue into the Housing Fund. This additional amount of Housing Set-Aside is not considered for purposes of debt service payments on the Bonds.
- (8) The Agency has entered into two agreements that require it to make payments from tax increment revenue generated by the developments that are the subject of the agreements. The Rotunda Garage agreements requires payment of development revenues net of housing set-aside tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Rotunda payments terminate after fiscal year 2015-16. The Uptown Development agreement requires payment of development revenues net of tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Uptown payments continue through 2019-20 and are subordinate to the payment of debt service on the Bonds.
- (9) Within Central District, the last date to incur new debt was established as January 1, 2004 by Ordinance No. 11762 CMS pursuant to the Law. This limit was eliminated pursuant to Ordinance No. 12570 CMS. The elimination of this limit triggers the initiation of statutory tax sharing payments. Beginning in fiscal year 2004-05 and using the 2003-04 Project Area value as the base level of value, Taxing Entities began to receive their shares of 25% of total tax increment revenue net of housing set aside. The City is a taxing entity and may opt to receive its share of the first tier of this pass through amount. A second tier of tax sharing is required beginning with 2015-16. The City may not receive any share of the Tier 2 payments. Payments continue through termination of the Project Area's ability to receive tax increment if recently introduced legislation is adopted. Within the Central District 2002 Annex the Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 the Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The City of Oakland is a taxing entity and may elect to receive its share of the Tier 1 pass through amount.

Oakland Redevelopment Agency
Central District & 2002 Annex Redevelopment Project
PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

Table 2



05/04/09

		Total	Taxable Value	Gross Tax	Housing	SB 2557	Statutory Tax Sharing Payments			Tax	Rotunda Garage	Uptown Project	Added Housing	Net Tax
		Taxable Value	Over Base	Revenue	Set-Aside	Charge	Tier 1	Tier 2	Tier 3	Revenues	DDA Payments	DDA Payments	Set-Aside	Revenues
1	2008-09	4,330,516	4,039,495	50,155	(10,031)	(306)	(3,555)	0	0	36,263	(42)	(656)	(2,508)	33,057
2	2009-10	4,516,612	4,225,590	52,309	(10,462)	(319)	(3,990)	0	0	37,538	(48)	(732)	(2,615)	34,142
3	2010-11	4,603,294	4,312,273	53,286	(10,657)	(325)	(4,190)	0	0	38,114	(49)	(748)	(2,664)	34,653
4	2011-12	4,691,710	4,400,689	54,282	(10,856)	(331)	(4,394)	0	0	38,701	(50)	(763)	(2,714)	35,173
5	2012-13	4,781,895	4,490,874	55,297	(11,059)	(337)	(4,601)	0	0	39,299	(68)	(779)	(2,765)	35,686
6	2013-14	4,873,883	4,582,862	56,332	(11,266)	(344)	(4,813)	(2)	0	39,907	(70)	(796)	(2,817)	36,225
7	2014-15	4,967,711	4,676,690	57,386	(11,477)	(350)	(5,028)	(186)	0	40,345	(71)	(812)	(2,869)	36,592
8	2015-16	5,063,416	4,772,395	58,461	(11,692)	(357)	(5,248)	(374)	0	40,791	(72)	(829)	(2,923)	36,966
9	2016-17	5,161,034	4,870,013	59,598	(11,920)	(364)	(5,476)	(565)	0	41,274		(847)	(2,980)	37,447
10	2017-18	5,260,605	4,969,584	60,760	(12,152)	(371)	(5,708)	(760)	0	41,769		(866)	(3,038)	37,866
11	2018-19	5,362,168	5,071,147	61,946	(12,389)	(378)	(5,945)	(960)	0	42,274		(884)	(3,097)	38,293
12	2019-20	5,465,762	5,174,740	63,156	(12,631)	(385)	(6,187)	(1,163)	0	42,789		(903)	(3,158)	38,728
13	2020-21	5,571,427	5,280,406	491	(98)	(3)	(98)	(16)	0	275			(25)	251
14	2021-22	5,679,206	5,388,185	504	(101)	(3)	(101)	(18)	0	281			(25)	256
15	2022-23	60,053	44,273	513	(103)	(3)	(103)	(20)	0	284			(26)	259
16	2023-24	61,215	45,434	526	(105)	(3)	(105)	(23)	0	290			(26)	263
17	2024-25	62,399	46,619	540	(108)	(3)	(108)	(25)	0	296			(27)	269
18	2025-26	63,608	47,827	554	(111)	(3)	(111)	(27)	0	302			(28)	274
19	2026-27	64,840	49,060	568	(114)	(3)	(114)	(30)	0	308			(28)	279
20	2027-28	66,097	50,317	582	(116)	(4)	(116)	(32)	0	314			(29)	285
21	2028-29	67,380	51,599	597	(119)	(4)	(119)	(35)	0	320			(30)	290
22	2029-30	68,688	52,907	612	(122)	(4)	(122)	(37)	0	327			(31)	296
23	2030-31	70,022	54,241	553	(111)	(3)	(111)	(35)	0	293			(28)	266
24	2031-32	71,383	55,602	556	(111)	(3)	(111)	(37)	0	294			(28)	266
25	2032-33	72,771	56,990	570	(114)	(3)	(114)	(39)	0	300			(28)	271
26	2033-34	74,187	58,406	584	(117)	(4)	(117)	(41)	(2)	304			(29)	275
27	2034-35	75,631	59,850	598	(120)	(4)	(120)	(44)	(3)	309			(30)	279
28	2035-36	77,104	61,323	613	(123)	(4)	(123)	(46)	(5)	313			(31)	283
29	2036-37	78,606	62,825	628	(126)	(4)	(126)	(49)	(7)	318			(31)	286
30	2037-38	80,139	64,358	644	(129)	(4)	(129)	(51)	(8)	323			(32)	291
31	2038-39	81,702	65,921	659	(132)	(4)	(132)	(54)	(10)	328			(33)	295
32	2039-40	83,296	67,515	675	(135)	(4)	(135)	(57)	(12)	333			(34)	299
33	2040-41	84,922	69,142	691	(138)	(4)	(138)	(59)	(14)	338			(35)	303
34	2041-42	86,581	70,801	708	(142)	(4)	(142)	(62)	(15)	343			(35)	308
35	2042-43	88,273	72,493	725	(145)	(4)	(145)	(65)	(17)	348			(36)	312
36	2043-44	89,999	74,218	742	(148)	(5)	(148)	(68)	(19)	354			(37)	317
37	2044-45	91,760	75,979	760	(152)	(5)	(152)	(71)	(21)	359			(38)	321
38	2045-46	93,555	77,774	778	(156)	(5)	(156)	(74)	(23)	365			(39)	326
39	2046-47	95,387	79,606	796	(159)	(5)	(159)	(77)	(25)	371			(40)	331
				699,735	(139,947)	(4,268)	(62,488)	(5,199)	(182)	487,650	(472)	(9,616)	(34,987)	442,575

Oakland Redevelopment Agency
Central District & 2002 Annex Redevelopment Project

Historical Assesed Values

Table 3



05/04/09

	Base Year 1968-69	1999-00	2000-01	Base Year Adjusted (3)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
<i>Secured (2)</i>												
Land	213,472,420	442,449,591	479,129,299	227,898,880	518,629,695	561,384,436	588,214,278	648,765,149	789,255,669	887,086,998	1,001,817,884	1,075,791,543
Improvements	638,283	1,355,976,801	1,562,377,101	638,283	1,642,873,915	1,980,249,319	2,162,387,697	2,266,594,204	2,407,310,147	2,626,809,606	2,960,305,611	3,201,364,132
Personal Property	0	69,600,755	63,987,297	0	54,788,060	37,169,214	30,146,703	28,048,236	31,599,936	32,697,514	41,939,628	29,737,050
Exemptions	0	(270,023,156)	(271,188,283)	0	(113,643,485)	(146,743,950)	(242,052,728)	(239,926,626)	(262,466,469)	(313,144,912)	(357,124,398)	(307,752,849)
Total Secured	214,110,703	1,598,003,991	1,834,305,414	228,537,163	2,102,648,185	2,432,059,019	2,538,695,950	2,703,480,963	2,965,699,283	3,233,449,206	3,646,938,725	3,999,139,876
<i>Unsecured</i>												
Land	0	35,264,212	12,991,470	0	13,008,000	17,678,883	18,537,551	18,223,522	52,491,047	52,028,589	36,866,215	32,529,564
Improvements	0	155,740,568	86,060,521	0	86,470,008	124,108,292	119,085,976	122,910,694	131,491,787	135,485,256	135,635,846	146,101,059
Personal Property	61,129,825	146,664,981	167,474,625	62,484,067	179,800,975	171,176,952	171,441,856	169,555,084	170,797,208	154,281,170	160,566,753	164,012,034
Exemptions	0	(7,604,137)	(7,520,171)	0	(5,457,994)	(7,714,909)	(8,048,496)	(11,769,795)	(13,448,722)	(3,998,748)	(9,335,981)	(11,266,674)
Total Unsecured	61,129,825	330,065,624	259,006,445	62,484,067	273,820,989	305,249,218	301,016,887	298,919,505	341,331,320	337,796,267	323,732,833	331,375,983
GRAND TOTAL	275,240,528	1,928,069,615	2,093,311,859	291,021,230	2,376,469,174	2,737,308,237	2,839,712,837	3,002,400,468	3,307,030,603	3,571,245,473	3,970,671,558	4,330,515,859
Secured Growth %			14.79%		14.63%	15.67%	4.38%	6.49%	9.70%	9.03%	12.79%	9.66%
Unsecured Growth %			-21.53%		5.72%	11.48%	-1.39%	-0.70%	14.19%	-1.04%	-4.16%	2.36%
Overall Growth %			8.57%		13.53%	15.18%	3.74%	5.73%	10.15%	7.99%	11.18%	9.06%

(1) Source: County of Alameda.

(2) Secured values include state assessed non-unitary utility property.

(3) Base year value is adjusted for the adoption of the 2002 Annex to the Central District Project Area

Oakland Redevelopment Agency
Central District & 2002 Annex Redevelopment Project

TOP TEN TAXABLE PROPERTY OWNERS

For Fiscal Year 2008-09

Table 4



05/04/09

Taxpayers (1)	Secured			Unsecured			Total			Use Code
	Taxable Value	Parcels	% of Sec. AV	Taxable Value	Parcels	% of Unsec. AV	Taxable Value	% of Total Value	% of Inc. Value	
1. OCC Venture LLC	\$199,325,379	9	4.98%	\$0	0	0.00%	\$199,325,379	4.60%	4.93%	Non-contiguous Commercial Office Buildings
2. Kaiser Foundation Health Plan Inc. [Owner has pending appeals on parcels]	\$151,678,264	6	3.79%	\$38,554,545	5	11.63%	\$190,232,809	4.39%	4.71%	Foundation Administrative Offices/Parking
3. 1800 Harrison Foundation	\$119,541,603	1	2.99%	\$0	0	0.00%	\$119,541,603	2.76%	2.96%	Non-contiguous Commercial Office Buildings
4. Brandywine Ordway LLC	\$106,120,799	3	2.65%	\$0	0	0.00%	\$106,120,799	2.45%	2.63%	Commercial Office Building
5. Brandywine Webster LP	\$104,244,589	3	2.61%	\$12,657	1	0.00%	\$104,257,246	2.41%	2.58%	Commercial Office Building/Parking Garage
6. Clorox Company	\$96,306,031	1	2.41%	\$0	0	0.00%	\$96,306,031	2.22%	2.38%	Commercial Office Buildings
7. 555 Twelfth Street LP	\$92,878,784	1	2.32%	\$0	0	0.00%	\$92,878,784	2.14%	2.30%	Commercial Office Buildings
8. Uptown Housing Partners LP	\$83,606,000	3	2.09%	\$0	0	0.00%	\$83,606,000	1.93%	2.07%	Multifamily Residential
9. Wm. Allegro LLC	\$62,100,390	3	1.55%	\$0	0	0.00%	\$62,100,390	1.43%	1.54%	Multifamily Residential
10. Brandywine Operating Partnership	<u>\$56,100,000</u>	<u>1</u>	1.40%	<u>\$0</u>	<u>0</u>	0.00%	<u>\$56,100,000</u>	1.30%	1.39%	Commercial Office Building
Top Ten Property Owner Totals:	\$1,071,901,839	31		\$38,567,202	6		\$1,110,469,041			
Project Area Totals:	\$3,999,139,876		26.80%	\$331,375,983		11.64%	\$4,330,515,859	25.64%		
Project Area Incremental Value:	\$3,770,602,713		28.43%	\$268,891,916		14.34%	\$4,039,494,629	27.49%		

(1) All taxpayers are located within the original Central District Project Area.

Oakland Redevelopment Agency
Central District & 2002 Annex Redevelopment Project
 New Development



05/04/09

Table 5

000's omitted												
<u>Real Property</u>	<u>Sq. Ft./ # Units</u>	<u>Unit Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
Essex Portfolio (The Grand) Apartments	238	\$280,000.00	\$66,640,000	\$49,590,000	\$17,050		1/1/2009	\$0	\$17,050	\$0	\$0	\$0
Forest City (The Uptown) Apartments	665	\$280,000.00	\$186,200,000	\$83,606,000	\$102,594		1/1/2009	\$0	\$102,594	\$0	\$0	\$0
Signature Properties (Broadway Grand) Apartments	132	\$280,000.00	\$36,960,000	\$19,420,707	\$17,539		1/1/2009	\$0	\$17,539	\$0	\$0	\$0
311 Company (311 Second) Apartments	101	\$280,000.00	\$28,280,000	\$3,672,000	\$24,608		TBD	\$0	\$0	\$0	\$0	\$0
AF Evans Development (Dwell@901)	75	\$280,000.00	\$21,000,000	\$13,155,046	\$7,845		TBD	\$0	\$0	\$0	\$0	\$0
The Olson Company (City Center T-10) Condominiums	254	\$280,000.00	\$71,120,000	\$43,881,985	\$27,238		TBD	\$0	\$0	\$0	\$0	\$0
Jackson Courtyard Condominiums	88	\$280,000.00	\$24,640,000	\$6,944,652	\$17,695		TBD	\$0	\$0	\$0	\$0	\$0
The Bedford Group (Thomas Berkeley Square) Condo.	88	\$280,000.00	\$24,640,000	\$7,835,224	\$16,805		TBD	\$0	\$0	\$0	\$0	\$0
	0	\$280,000.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
Transfers of Ownership After 1/1/2008	98	Lump Sum	\$47,799,089	\$35,439,885	\$12,359			\$0	\$12,359	\$0	\$0	\$0
Total Real Property:			\$507,279,089	\$263,545,499	\$243,734				\$149,542	\$0	\$0	\$0
						Adj. Annually for Inflation @	2%			\$0	\$0	\$0

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust dated as of January 1, 2003, between the Redevelopment Agency of the city of Oakland and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture of Trust, dated as of February 1, 2005, between the Agency and the Trustee, the Second Supplemental Indenture of Trust dated as of November 1, 2006, between the Agency and the Trustee, and the Third Supplemental Indenture of Trust dated as of May 1, 2009, between the Agency and the Trustee that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual documents (copies of which may be obtained from the Agency) for the complete terms thereof.

Definitions

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. In addition, the following terms have the following meanings when used in this summary:

"Agency" means the Redevelopment Agency of the City of Oakland, a public body corporate and politic duly organized and existing under the Law.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and other Parity Debt in such Bond Year, assuming that the Outstanding Serial Bonds are retired as scheduled and that the Outstanding Term Bonds are redeemed from mandatory sinking account payments as scheduled, (b) the principal amount of the Outstanding Serial Bonds and other Parity Debt payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year.

"Bonds" means the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds, the Series 2009T Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Agency, of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Bond Year" means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that, with respect to the Series 2003 Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2003 Bonds and end on September 1, 2003, with respect to the Series 2005 Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2005 Bonds and end on September 1, 2005, with respect to the Series 2006T Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2006T Bonds and end on September 1, 2007, and, with respect to the Series 2009T Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2009T Bonds and end on September 1, 2009.

"Business Day" means a day of the year on which banks in the State of California, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

"City" means the City of Oakland, California, a municipal corporation and chartered city duly organized and existing under the Constitution and laws of the State.

"Closing Date" means the date on which a series of Bonds are delivered by the Agency to the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Series 2003 Bonds or (except as otherwise referenced in the Indenture) as it may be amended to apply to obligations issued on the date of issuance of the Series 2003 Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means, with respect to the Series 2003 Bonds, that certain Continuing Disclosure Certificate relating to the Series 2003 Bonds, executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof, with respect to the Series 2005 Bonds, that certain Continuing Disclosure Certificate relating to the Series 2005 Bonds executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof, with respect to the Series 2006T Bonds, that certain Continuing Disclosure Certificate relating to the Series 2006T Bonds executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and, with respect to the Series 2009T Bonds, that certain Continuing Disclosure Certificate relating to the Series 2009T Bonds executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, bond insurance premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds, administrative costs of the Agency and the City incurred in connection with the issuance of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

"Costs of Issuance Fund" means the account by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of Alameda, a county duly organized and existing under the laws of the State.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Defeasance Obligations" means any of the following which, at the time of investment, are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that investments described therein are in compliance with the City's

investment policies then in effect and, provided further, that the prior written consent of the Series 2003 Insurer and any other Insurer shall be required for the use of Defeasance Obligations described in (d), (e) and (f) for the purposes set forth in the defeasance provisions described under the caption "Defeasance of Bonds":

- (a) Cash;
- (b) Federal Securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P;
- (e) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and
- (f) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of

Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to source of the investment.

"Federal Securities" means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America.

"First Supplement" means the First Supplemental Indenture of Trust, dated as of February 1, 2005, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2003 Indenture.

"Fiscal Year" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve month period selected and designated by the Agency to the Trustee in writing as its official fiscal year period.

"Indenture" means the Series 2003 Indenture, as supplemented by the First Supplement, the Second Supplement and the Third Supplement, and as it may be further supplemented or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

"Independent Accountant" means any accountant or firm of such accountants duly licensed or registered or entitled to practice as such under the laws of the State, appointed by the Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Agency;
 - (b) does not have any substantial interest, direct or indirect, with the Agency;
- and
- (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Agency (who may be an underwriter of bonds of the Agency or the City), and who, or each of whom:

- (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of Redevelopment Projects;
 - (b) is in fact independent and not under domination of the Agency;
 - (c) does not have any substantial interest, direct or indirect, with the Agency;
- and
- (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Insurer" means the provider of a municipal bond or financial guaranty insurance policy with respect to an issue of Bonds other than the Series 2003 Bonds.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means each March 1 and September 1, for so long as any of the Bonds remain Outstanding under the Indenture.

"Law" means the Community Redevelopment Law of the State constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of such calculation, there shall be excluded the principal of any Bonds and other Parity Debt, together with the interest to accrue thereon, in the event and to the extent that the proceeds of such Bonds and other Parity Debt are deposited in an escrow fund and are held in cash or are invested solely in Permitted Investments and from which amounts may not be released to the Agency unless the amount of Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indenture.

"Moody's" means Moody's Investors Service and its successors.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the applicable provisions of the Indenture) all Bonds except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by the Series 2003 Insurer or by any other Insurer, as provided in the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant the Indenture.

"Owner" or "Bondowner" means, with respect to any Bond, the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Parity Debt" means any additional loans, advances or other indebtedness issued or incurred by the Agency on a parity with the Bonds pursuant to the Indenture.

"Parity Debt Instrument" means any Supplemental Indenture or other instrument providing for the issuance or incurrence of Parity Debt.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Investments" means any of the following which at the time of investment are in compliance with the City's investment policies then in effect (provided that the Trustee shall

be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are in compliance with the City's investment policies then in effect), but only to the extent that the same are acquired at Fair Market Value:

- (a) Federal Securities;
- (b) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form;
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;
- (d) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;
- (e) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least "AAAm-G", "AAAm" or "AAm", and a rating by Moody's of "Aaa", "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);
- (f) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

- (g) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;
- (h) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);
- (i) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;
- (j) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;
- (k) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;
- (l) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and
- (m) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

"Plan Limit" means the limitation contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Law.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Project Area" means the territory within the Redevelopment Project, as described in the Redevelopment Plan.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank is at least "AA" from S&P or "Aa" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company is "AAA" from S&P or "Aaa" from Moody's or, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the

portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw under the Indenture an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

"Redemption Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Redevelopment Fund" means the fund by that name created under the Indenture and held by the Trustee pursuant to the Indenture.

"Redevelopment Plan" means the redevelopment plan for the Central District Redevelopment Project of the Agency in Oakland, California, titled "Central District Urban Renewal Plan," heretofore adopted and approved as the Redevelopment Plan for the Project, and as amended and restated by Ordinance No. 12348 adopted by said Council on July 24, 2001, together with all further amendments thereto hereafter made in accordance with the Law.

"Redevelopment Project" means the Oakland Central District Redevelopment Project as described in the Redevelopment Plan.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Reserve Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds), (ii) ten percent (10%) of the total of the proceeds of the Bonds (excluding from the calculation thereof Parity Debt other than Bonds) and (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds); provided, that in no event shall the Agency, in connection with the issuance of additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, and its successors.

"Second Supplement" means the Second Supplemental Indenture of Trust, dated as of November 1, 2006, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2003 Indenture.

"Senior Bonds" means the Agency's Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992, and any obligations issued on a parity therewith as provided in the Senior Bonds Resolution.

"Senior Bonds Resolution" means the Resolution of the Agency adopted on June 3, 1986, entitled "Resolution of the Redevelopment Agency of the City of Oakland Authorizing the Issuance and Prescribing the Terms, Conditions and Form of \$91,555,000 Principal Amount of Redevelopment Project Tax Allocation Refunding Bonds, Series 1986," as amended and supplemented by the Resolution of the Agency adopted on July 28, 1992, entitled "First Supplemental and Amendatory Resolution of the Redevelopment Agency of the City of Oakland Authorizing the Issuance and Prescribing the Agency of the City of Oakland Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992," and as it may be further amended from time to time, and pursuant to which the Senior Bonds were issued.

"Serial Bonds" means all Bonds other than Term Bonds.

"Series 2005 Bonds" means, the Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 issued in the initial principal amount of \$44,360,000.

"Series 2005 Bond Insurance Policy" means the financial guaranty insurance policy issued by the Series 2005 Insurer insuring the payment when due of the principal of and interest on the Series 2005 Bonds as provided therein.

"Series 2005 Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"Series 2009T Account" means the Account by that name established within the Redevelopment Fund pursuant to the Third Supplement

"Series 2009T Bonds" means, the Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) issued in the initial principal amount of \$38,755,000.

"Series 2009T Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Third Supplement.

"Series 2006T Bonds" means, the Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) issued in the initial principal amount of \$33,135,000.

"Series 2006T Bond Insurance Policy" means the financial guaranty insurance policy issued by the Series 2006T Insurer insuring the payment when due of the principal of and interest on the Series 2006T Bonds as provided therein.

"Series 2006T Insurer" means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, and any successor thereto, as issuer of the Insurance Policy.

"Series 2006T Qualified Reserve Account Credit Instrument" means the debt service reserve surety bond issued by the Series 2006T Insurer for the credit of the Reserve Account as provided in the Indenture.

"Series 2003 Bonds" means the Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003.

"Series 2003 Bond Insurance Policy" means the municipal bond insurance policy issued by the Series 2003 Insurer insuring the payment when due of the principal of and interest on the Series 2003 Bonds as provided therein.

"Series 2003 Insurer" means MBIA Insurance Corporation, as successor in interest to Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, a New York Stock Insurance Company or any successor thereto.

"Series 2003 Qualified Reserve Account Credit Instrument" means the Municipal Bond Debt Service Reserve Fund Policy issued by the Series 2003 Insurer.

"Special Fund" means the fund by that name established and held by the Agency.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Revenues" means all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; but excluding all other amounts of such taxes (if any) (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Law for increasing and improving the supply of low and moderate income housing, (ii) amounts payable by the State to the Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code, and (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any

amounts so payable are payable on a basis subordinate to the payment of debt service on the Bonds.

"Tax Revenues Certificate" means a Written Certificate of the Agency identifying, among other things, the amount of Tax Revenues received or estimated to be received by the Agency in the then current Fiscal Year.

"Term Bonds" means that portion of any Bonds payable from mandatory sinking account payments.

"Third Supplement" means the Third Supplemental Indenture of Trust, dated as of May 1, 2009, by and between the Agency and Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2003 Indenture.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Treasurer of the Agency or her or his designee, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

Establishment of Funds and Accounts; Flow of Funds

Each of the following funds and accounts are established pursuant to the Indenture:

- (a) Series 2009T Costs of Issuance Fund,
- (b) Redevelopment Fund (with a Series 2009T Account therein),
- (c) Special Fund,
- (d) Debt Service Fund,
- (e) Interest Account,
- (f) Principal Account,
- (g) Reserve Account, and
- (h) Redemption Account.

Series 2009T Costs of Issuance Fund. The moneys in the Series 2009T Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the Series 2009T Bonds upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the earlier of October 1, 2009, or the date of receipt by the Trustee of a Written Request of the Agency, all amounts (if any) remaining in the Series 2009T Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and be transferred to the Agency for deposit in the Series 2009T Account Redevelopment Fund.

Series 2009T Account of the Redevelopment Fund. The moneys in the Series 2009T Account of the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit in the Series 2009T Account of the Redevelopment Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance. The Agency covenants that no funds on deposit in the Series 2009 Account of the Redevelopment Fund or in any other account of the Redevelopment fund shall be applied for any purpose not authorized by the Law.

Special Fund; Deposit of Tax Revenues. There is established in the Indenture another special fund known as the "Special Fund", which is held by the Agency and which is in the Indenture referred to as the "Special Fund". Subject to the provisions of the Senior Bonds Resolution regarding the application of Tax Revenues, the Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year and, if applicable, and (ii) with respect to any Parity Debt other than additional Bonds pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America as rebate under the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Debt Service Fund; Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. On or before the third (3rd) Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the third (3rd) Business Day preceding September 1 in each year, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming

due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make all of the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Series 2003 Bonds or any other Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments under the Indenture in the event and to the extent required to make any payment when and as

required under this subsection (c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues. If the Qualified Reserve Account Credit Instrument is in the form of a letter of credit and the Agency has not renewed or replaced such letter of credit two weeks prior to its expiration or termination, the Trustee shall draw on such letter of credit in full and deposit the proceeds of such draw in the Reserve Account. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making interest and principal payments required pursuant to the Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments of interest and principal required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one particular issue of Bonds, a separate subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture or a similar provision of a Supplemental Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on such Bonds to be redeemed pursuant to the Indenture or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on such Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Bonds, the Trustee may, at the direction of the Agency, apply amounts deposited or otherwise to be deposited in the Redemption Account to the purchase of such Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

Rights of Series 2003 Insurer; Consent or Approval of the Series 2003 Insurer

(a) The following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Series 2003 Insurer under the Indenture to request, consent to or direct any action are rights granted to the Series 2003 Insurer in consideration of its issuance of the Series 2003 Bond Insurance Policy. In this regard, the Series 2003 Insurer is a third party beneficiary of the Indenture. Any exercise by the Series 2003 Insurer of such rights is merely an exercise of the Series 2003 Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of the Series 2003 Bonds. With respect to Events of Default under the Indenture, the consent of the owners of the Series 2003 Bonds shall not be required in addition to consent of the Series 2003 Insurer where the Series 2003 Insurer was granted such right of consent.

(b) The Series 2003 Insurer shall be deemed to be the sole owner of the Series 2003 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Series 2003 Bonds insured by it are entitled to take pursuant to the Indenture. Except as otherwise provided in the Indenture, no contract shall be entered into or action taken by which the rights of the Series 2003 Insurer or the security or sources of payment for the Series 2003 Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Series 2003 Insurer.

(c) The rights of the Series 2003 Insurer to direct or consent to Agency, Trustee or Bondowner actions under the Indenture shall be suspended during any period in which the Series 2003 Insurer is in default in its payment obligations under the Series 2003 Bond Insurance Policy (except to the extent of amounts previously paid by the Series 2003 Insurer and due and owing to the Series 2003 Insurer) and shall be of no force or effect in the event the Series 2003 Bond Insurance Policy is no longer in effect or the Series 2003 Insurer asserts that the Series 2003 Bond Insurance Policy is not in effect or the Series 2003 Insurer shall have provided written notice that it waives such rights.

(d) The Series 2003 Insurer shall be deemed to be the Owner of all Series 2003 Bonds insured under the Series 2003 Bond Insurance Policy for the following purposes and provided that the Series 2003 Insurer is not on default under the terms of the Series 2003 Bond Insurance Policy, during the following times under the Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture where the consent of the Bondowners is required; (b) at all times with respect to the initiation by the Bondowners of any action to be taken under the Indenture by the Trustee at the request of such Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of Series 2003 Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

(e) The Agency shall, to the extent permitted by law, pay or reimburse the Series 2003 Insurer for any and all charges, fees, costs and expenses which the Series 2003 Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the Indenture or otherwise afforded by law or equity other than resulting from the failure of the Series 2003 Insurer to honor its obligations under the Series 2003 Bond Insurance Policy. The Series 2003 Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(f) Payments required to be made to the Series 2003 Insurer shall be payable solely from Tax Revenues and other amounts pledged under the Indenture and shall be paid (i) prior

to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Series 2003 Bonds, on a priority immediately following payments to the Trustee for expenses

(g) The Series 2003 Insurer shall be deemed to be a party in interest under the Indenture and as a party entitled to (i) notify the Agency, the Trustee or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that could affect the Series 2003 Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from the Series 2003 Insurer.

(h) The Series 2003 Insurer shall be provided with the following information:

(i) Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Reserve Account;

(ii) Notice of the redemption, other than pursuant to mandatory sinking fund redemption, of any of the Series 2003 Bonds, or the advance refunding of the Series 2003 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934; and

(iv) Such additional information as the Series 2003 Insurer may reasonable request from time to time.

Rights of Series 2005 Insurer; Consent or Approval of the Series 2005 Insurer

The following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture:

(a) Any provision of the Indenture expressly recognizing or granting rights in or to the Series 2005 Insurer may not be amended in any manner which affects the rights of the Series 2005 Insurer under the Indenture without the prior written consent of the Series 2005 Insurer.

(b) For so long as the Series 2005 Insurer is not in default under the Series 2005 Bond Insurance Policy, the Series 2005 Insurer shall be deemed to be the sole Owner of the Series 2005 Bonds insured by it for the purpose of exercising any voting rights or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2005 Bonds insured by it are entitled to take pursuant to the provisions of the Indenture relating to the Trustee, events of defaults and remedies and amendments to the Indenture, and the Series 2005 Insurer's consent shall be required for the following purposes: (i) execution and delivery of any supplemental Indenture (other than a supplemental Indenture adopted solely for the purpose of issuing Parity Debt), (ii) removal of the Trustee and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondowner consent.

(c) Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2005 Insurer. In the event of any reorganization or liquidation, the Series 2005 Insurer shall have the right to vote on behalf of all Bondowners who hold

Series 2005 Bonds absent a default by the Series 2005 Insurer under the Series 2005 Bond Insurance Policy.

(d) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Indenture, the Series 2005 Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2005 Bonds or the Trustee for the benefit of the Owners of the Series 2005 Bonds under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Series 2005 Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2005 Insurer shall also be entitled to approve all waivers of events of defaults.

(e) While the Series 2005 Bond Insurance Policy is in effect, the Agency shall furnish to the Series 2005 Insurer (to the attention of the Surveillance Department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency, a copy of any audit and annual report of the Agency and a copy of the annual report and any other report given pursuant to the Series 2005 Continuing Disclosure Certificate;

(ii) a copy of any notice to be given to the Owners of the Series 2005 Bonds, including, without limitation, notice of any redemption of or defeasance of Series 2005 Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the Series 2005 Bonds; and

(iii) such additional information it may reasonably request.

The Agency or the Trustee, as appropriate, shall notify the Series 2005 Insurer of any failure of the Agency to provide relevant notices, certificates, or filings.

The Agency will permit the Series 2005 Insurer to discuss the affairs, finances and accounts of the Agency or any information the Series 2005 Insurer may reasonably request regarding the security for the Series 2005 Bonds with appropriate officers of the Agency. The Agency or the Trustee, as appropriate, will permit the Series 2005 Insurer to have access to and to make copies of all books and records relating to the Series 2005 Bonds at any reasonable time.

The Series 2005 Insurer shall have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Series 2005 Insurer shall be deemed a default under the Indenture; provided, however, that if compliance cannot occur without such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 2005 Bonds.

Notwithstanding any other provision of the Indenture, the Agency shall immediately notify the Series 2005 Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default under the Indenture.

(f) Notwithstanding any other provision of the Indenture, in the event of principal and/or interest due on the Series 2005 Bonds shall be paid by the Series 2005 Insurer pursuant to the Series 2005 Bond Insurance Policy, the Series 2005 Bonds shall remain outstanding for all purposes and not be considered paid by the Agency, and the assignment and pledge of Tax Revenues under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the Series 2005 Bonds shall continue to exist and shall run to the benefit of the Series 2005 Insurer, and the Series 2005 Insurer shall be subrogated to the rights of such Owners.

(g) To the extent that the Indenture confers upon or gives or grants to Series 2005 Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2005 Insurer is hereby explicitly recognized as being a third-party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture..

(h) Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Series 2003 Insurer, the Series 2005 Insurer, any other Insurer insuring Bonds other than the Series 2003 Bonds or the Series 2005 Bonds, and the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Agency, the Trustee, the Series 2003 Insurer, the Series 2005 Insurer, any other Insurer insuring Bonds other than the Series 2003 Bonds or the Series 2005 Bonds, and the Owners of the Bonds.

(i) The Agency may acquire, or cause the Trustee to acquire, the following Defeasance Obligations with respect to the Series 2005 Bonds without the consent of the Series 2005 Insurer:

- (i) Cash; and
- (ii) Federal Securities (other than CATS and TGRS).

(j) The Agency may not acquire, or cause the Trustee to acquire, the following Defeasance Obligations with respect to the Series 2005 Bonds without the prior written consent of the Series 2005 Insurer:

(i) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(ii) Pre-refunded municipal bonds rated "Aaa" by Moody's or "AAA" by S&P;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures;

(iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and

(iv) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

Further, the Agency may not acquire, or cause the Trustee to acquire, CATS or TGRS as Defeasance Obligations with respect to the Series 2005 Bonds without the prior written consent of the Series 2005 Insurer.

(k) The Agency may acquire, or cause the Trustee to acquire, the following Permitted Investments without the consent of the Series 2005 Insurer:

(i) Federal Securities (other than CATS or TGRS);

(ii) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book-entry form;

(iii) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(iv) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan

Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(v) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least "AAAm-G," or and a rating by Moody's of "Aaa" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(vi) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(vii) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(viii) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the highest rating category assigned by such agencies;

(ix) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or better by Moody's, and "A-1+" by S&P;

(x) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

(xi) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

(l) The Agency may not acquire, or cause the Trustee to acquire, the following Permitted Investments without the prior written consent of the Series 2005 Insurer:

(i) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAm," and a rating by Moody's of "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates,

parent or subsidiaries provide investment advisory or other management services);

(ii) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;

(iii) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);

(iv) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the second highest rating categories assigned by such agencies; and

(v) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A3" or better by Moody's, and "A-1+" by S&P.

Further, the Agency may not acquire, or cause the Trustee to acquire, CATS or TGRS as Permitted Investments without the prior written consent of the Series 2005 Insurer.

Rights of Series 2006T Insurer; Consent or Approval of the Series 2006T Insurer

For so long as either the Series 2006T Bond Insurance Policy or the Series 2006T Qualified Reserve Account Credit Instrument is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Agency agrees as follows:

(a) Notices. Any notice to be given to any party under the Indenture shall also be given to the Series 2006T Insurer at MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Insured Portfolio Management, Fax: (914) 765-3164.

(b) Amendments or Supplements. Any amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds shall also require the consent of the Series 2006T Insurer. The Agency agrees to send a copy of any amendment or supplement requiring the consent of the Series 2006T Insurer to S&P. The Agency shall give the Insurer notice of any amendment or supplement made to the Indenture which do not require consent of the Owners of the Series 2006T Bonds.

(c) Events of Default. Upon the occurrence of an Event of Default under the Indenture, the Series 2006T Insurer shall be deemed the Owner of all Series 2006T Bonds, and shall have all the rights as the Owner of the Series 2006T Bonds as are specified in the applicable provisions of the Indenture, provided that the Insurer shall not be in default under the Series 2006T Bond Insurance Policy or the Series 2006T Qualified Reserve Account Credit Instrument. Any acceleration of payments due on the Series 2006T Bonds shall be subject to the consent of the Series 2006T Insurer.

(d) Series 2006T Insurer as Third Party Beneficiary. The Series 2006T Insurer is a third-party beneficiary hereunder and shall have the power to enforce any right, remedy or claim conferred, given or granted under the Indenture.

(e) Subrogation. If principal and/or interest due on the Series 2006T Bonds shall be paid by the Series 2006T Insurer, the Series 2006T Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Agency, and the assignment and pledge of the Tax Revenues and other amounts pledged to the payment of debt service of the Series 2006T Bonds under the Indenture, and all covenants, agreements and other obligations of the Agency to the Owners of the Series 2006T Bonds shall continue to exist and shall run to the benefit of the Series 2006T Insurer, and the Series 2006T Insurer shall be subrogated to the rights of such Owners.

(f) Parity Debt. In connection with the issuance of Parity Debt, the Agency shall deliver to the Series 2006T Insurer a copy of the disclosure document, if any, circulated with respect to such Parity Debt.

(g) Investments. The Agency may not acquire, or cause the Trustee to acquire, the following Permitted Investments without the prior written consent of the Series 2006T Insurer:

(i) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAm," and a rating by Moody's of "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(ii) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;

(iii) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);

(iv) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the second highest rating categories assigned by such agencies; and

(v) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A3" or better by Moody's, and "A-1+" by S&P.

Investment of Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested

by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (h) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds, including, in the case of the Series 2006T Account of the Redevelopment Fund, Permitted Investments. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this provision. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

Issuance of Parity Debt

In addition to the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds and the Series 2009T Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds and the Series 2009T Bonds to finance and refinance redevelopment activities with respect to the Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

(a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Indenture;

(b) The Tax Revenues estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area (excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, less the amount of debt service on the Senior Bonds for such Fiscal Year, shall be at least equal to one hundred twenty percent (120%) of Annual

Debt Service, including debt service on the proposed Parity Debt, during each Fiscal Year, provided that in determining whether Tax Revenues equal not less than one hundred twenty percent (120%) of Annual Debt Service for each Fiscal Year (and regardless of when such calculation is being made), in performing the calculation for each Fiscal Year commencing on and after July 1, 2014 (or, if later, the final maturity of the Senior Bonds), estimated Tax Revenues shall not be reduced by the amount of debt service on the Senior Bonds for the then current Fiscal Year;

(c) In the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any subaccounts therein) shall be increased to the Reserve Requirement taking into account the additional Bonds to be issued;

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;

(e) The aggregate amount of the principal of and interest on the Senior Bonds, all Outstanding Bonds, other outstanding Parity Debt and Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as shall be confirmed at the time of the issuance of such Parity Debt and as shall be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and the Series 2003 Insurer and any other Insurer. The Agency shall provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds and Parity Debt in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining debt service on the Senior Bonds and the remaining debt service payable on the Bonds and Parity Debt exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency shall apply amounts on deposit in such escrow solely to the purchase or redemption of the Senior Bonds, the Bonds or Parity Debt, or, in the event that the Agency delivers a Written Certificate of the Agency to the effect that the Plan Limit has been amended such that the remaining debt service on the Senior Bonds, and the remaining debt service on the Bonds including any Parity Debt, no longer exceeds ninety-five percent (95%) of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit, the Trustee shall transfer amounts on deposit in such escrow to Agency to be used for any lawful purpose; and

(f) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b) and (e) above have been satisfied.

Issuance of Subordinate Debt

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount

of the principal of and interest to accrue on all outstanding Senior Bonds, Outstanding Bonds, Parity Debt and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

(b) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in paragraph (a) above have been satisfied.

Certain Other Covenants of the Agency

Limitation on Additional Indebtedness; Against Encumbrances. The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only (i) refunding bonds with respect to the Senior Bonds (and any refunding of such refunding bonds) which do not result in an increase in debt service under the Senior Bonds Resolution in any Bond Year (as defined in the Senior Bonds Resolution), (ii) the Series 2003 Bonds, (iii) any Parity Debt and (iv) any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien created for the benefit of the Bonds.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City of Oakland, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Redevelopment Fund and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Series 2003 Insurer, any other Insurer and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within two hundred and seventy (270) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial

statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency shall promptly furnish a copy of such financial statements to the Trustee, the Series 2003 Insurer and any other Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee, the Series 2003 Insurer and any other Insurer, on or about February 1 of each year, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Disposition of Property. The Agency will not participate in the detachment of land from the Project Area or the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than ten percent (10%) of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues available to the Agency for application under the Indenture in the succeeding Fiscal Year to fall below 115% of Maximum Annual Debt Service, in either case unless the Series 2003 Insurer and any other Insurer shall otherwise consent in writing.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay debt service on the Bonds. Additionally, the Agency shall not approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues available to the Agency for application under the Indenture in any succeeding Fiscal Year to fall below 115% of Maximum Annual Debt Service without the written consent of the Series 2003 Insurer and any other Insurer.

Compliance With Law; Low and Moderate Income Housing Fund. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without

limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

Tax Covenants Relating to the Bonds. The Agency will assure that the proceeds of the Bonds are so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Agency shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Indenture. Any notice required to be given pursuant to the provisions of the Continuing Disclosure Certificate shall also be given to the Series 2003 Insurer and to S&P and Moody's.

Plan Limit. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds and any outstanding Parity Debt when due.

Additionally, the Agency hereby covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), as well as future cumulative Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of Tax Revenues to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to ninety (90%) of the amount remaining under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues) to fall below the remaining cumulative Annual Debt Service, estimated future fees of the Trustee and any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds, the Agency shall either (i) defease Bonds or other Parity Debt by depositing an amount of Tax Revenues equal to the amount that is required to ensure continuing compliance with the preceding paragraph (by defeasing Bonds or other Parity Debt) in a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Bonds or other Parity Debt, which escrow shall be invested in Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Bonds or other Parity Debt or (ii) adopt a plan approved by

an Independent Redevelopment Consultant which demonstrates the Agency's continuing ability to pay debt service on the Bonds. In determining the amount to be deposited in escrow with the Trustee, the Agency shall not take into account any actual or projected interest earnings on the amounts so deposited.

The Agency shall annually no later than December 1 (commencing December 1, 2010), transmit to the Trustee, a Written Certificate of the Agency setting forth the calculation required above, including the remaining Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from tax increment revenues, remaining tax increment under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), the amount of tax increment revenues allocated to the Agency during the one year period covered by the statement, and the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Bonds. The Agency agrees that the information provided to the Trustee in such Written Certificate will be included in each annual report provided pursuant to the Continuing Disclosure Certificate.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under the heading "Events Of Default"), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee, with a copy to the Series 2003 Insurer and any other Insurer, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners, the Series 2003 Insurer and any other Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment to be furnished to the Series 2003 Insurer and any other Insurer.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-

five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to the Series 2003 Insurer, any other Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee's knowledge thereof, give such notice to the Series 2003 Insurer and any other Insurer, and the Trustee, with the consent of the Series 2003 Insurer and any other Insurer, may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (f), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and

terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners or the Series 2003 Insurer or any other Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners, the Series 2003 Insurer or any other Insurer for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Amendment of Indenture

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, but only with the prior written consent of the Series 2003 Insurer (except that no such consent shall be required with respect to any Supplemental Indenture entered into for the purposes set forth in (c) below), to the extent permitted by law, but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture,

or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Agency, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Series 2003 Insurer, any other Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Series 2003 Insurer, any other Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Series 2003 Insurer or any other Insurer without its prior written consent.

Events of Default and Remedies

Events of Default. The following events constitute Events of Default under the Indenture:

(a) if default shall be made by the Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee, the Series 2003 Insurer or any other Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and the Series 2003 Insurer and any other Insurer) of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an event of default if corrective action is instituted by the Agency (with the prior written consent of the Series 2003 Insurer and any other Insurer) within such thirty (30) day

period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by the Series 2003 Insurer and any other Insurer; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

In determining whether an Event of Default has occurred under (a) above, no effect shall be given to payments made under the Series 2003 Bond Insurance Policy, the Series 2003 Qualified Reserve Account Credit Instrument or under any other municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Series 2003 Insurer and any other Insurer and to the Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date). In no event shall the debt service on the Series 2003 Bonds be accelerated without the prior written consent of the Series 2003 Insurer.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment

of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to the Series 2003 Insurer, any other Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon. In no event shall any rescission or annulment of the acceleration of the debt service on the Series 2003 Bonds occur without the prior written consent of the Series 2003 Insurer.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Agency,

the Trustee, the Series 2003 Insurer and any other Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

Defeasance of Bonds

The Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the

Trustee and the Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Agency under the Indenture and (d) the obligation of the Agency to pay or cause to be paid to the Owners (or the Series 2003 Insurer and any other Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, the Series 2003 Insurer and any other Insurer all fees, expenses and costs of the Trustee, the Series 2003 Insurer and any other Insurer. In the event the Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Agency.

If a forward supply contract is employed in connection with the defeasance of any of the Bonds, (i) the verification report relating to the defeasance of such Bonds shall expressly state that the adequacy of the escrow to accomplish the defeasance relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by the Series 2003 Insurer pursuant to the Series 2003 Bond Insurance Policy or by any other Insurer pursuant to its municipal bond or financial guaranty insurance policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Tax Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of Series 2003 Insurer and any other Insurer, and the Series 2003 Insurer and any other Insurer shall be subrogated to the rights of such Bond Owners, as applicable.

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APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINION

May 20, 2009

Redevelopment Agency of the City of Oakland
One Frank Ogawa Plaza
Oakland, California 94612

OPINION: \$38,755,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Oakland (the "Agency") of its \$38,755,000 principal amount Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on February 17, 2009, and an Indenture of Trust dated as of January 1, 2003, between the Agency and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 2005, a Second Supplemental Indenture of Trust dated as of November 1, 2006, and a Third Supplemental Indenture of Trust dated as of May 1, 2009 (collectively, the "Indenture"), each between the Agency and the Trustee. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds and any other Parity Debt (as such terms are defined in the Indenture), subject to the prior lien granted to the Senior Bonds under the Senior Bonds Resolution (as such terms are defined in the Indenture).

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable, on a parity with the Series 2003 Bonds, the Series 2005 Bonds, the Series 2006T Bonds and any other Parity Debt, solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform owners of the Bonds that any U.S. federal tax advice contained in this opinion is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND (the "Agency"), in connection with the issuance of \$38,755,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Indenture of Trust, dated as of January 1, 2003, as supplemented by that certain First Supplemental Indenture of Trust dated as of February 1, 2005, that certain Second Supplemental Indenture of Trust dated as of November 1, 2006, and that certain Third Supplemental Indenture of Trust dated as of May 1, 2009 (collectively, the "Indenture"), each between the Agency and The Bank of New York Mellon Trust Company, as trustee (the "Trustee"). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

Section 2. Definitions. The definitions set forth in the Indenture apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section: The following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" means the date that is nine months after the end of the Agency's fiscal year (currently March 31 based on the Agency's fiscal year end of June 30).

"Beneficial Owner" or "beneficial owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

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

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2010, with the report for the 2008-09 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency for

the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (1) Table 1 - Summary Plan Data;
- (2) Table 2 – Property Taxable Values;
- (3) Table 3 – Tax Revenues Received;
- (4) Table 4 – 10 Largest Local Taxpayers.
- (5) The information required by Section 5.18 of the Indenture, as amended, beginning with the Annual Report with respect to the 2010-2011 fiscal year.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

Section 5. Material Events. (a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of the Owners of the Bonds.
4. Optional, contingent or unscheduled bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on debt service reserves reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of the credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of property securing repayment of the Bonds.

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

Federal securities law. Any event under subsections (1) or (6) of the definition of the term "Listed Event" will always be deemed by the Agency to be material.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material, the Agency shall promptly file, or cause the Dissemination Agent to promptly file, a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture. *provided, however*, that any notice of the occurrence of a Listed Event that is filed before July 1, 2009, shall be filed with each nationally recognized municipal securities information repository and state repository designated as such by the Securities and Exchange Commission for purposes of the Rule, and otherwise in accordance with then-applicable procedures prescribed under the Rule.

(d) Nothing in this Section shall be deemed to prevent the Agency from disseminating any other information, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

In the event of a failure of the Agency to comply with any provision of this Section 5, any Owner may take such actions as may be necessary and appropriate, including applicable legal remedies to cause the Agency to comply with its obligations under this Section 5. A default under this Section shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Section shall be an action to compel performance.

This Section shall inure solely to the benefit of the Agency, the Participating Underwriters and Owners from time to time of the Bonds and no other person shall have any rights hereunder.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The obligations of the Agency under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

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

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the

requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Trustee nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the Agency under this Disclosure Certificate.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in

addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 14. Prior Undertakings. The Agency each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 15. Effective Date. This Disclosure Certificate shall be effective on and as of the date of issuance and delivery of the Bonds.

Section 16. Notices. Any notices or communications to the Agency relating to this Disclosure Certificate may be given as follows:

If to the Agency:	Redevelopment Agency of the City of Oakland c/o Finance and Management Agency 150 Frank H. Ogawa Plaza, Suite 5330 Oakland, California 94612 Attention: Treasury Manager Telephone: (510) 238-3201 Fax: (510) 238-2137
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The Agency may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 17. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Certificate is given this 20th day of May, 2009.

REDEVELOPMENT AGENCY OF THE CITY
OF OAKLAND CALIFORNIA

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND,
CALIFORNIA

Name of Bond Issue: \$38,755,000 Redevelopment Agency of the City of Oakland,
Central District Redevelopment Project Subordinated Tax
Allocation Bonds, Series 2009T (Federally Taxable) (the "Bonds")

Date of Delivery: May 20, 2009.

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the Redevelopment Agency of the City of Oakland, California (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Third Supplemental Indenture of Trust dated as of May 1, 2009 relating to the Bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE CITY
OF OAKLAND, CALIFORNIA

By: _____
Authorized Representative

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (in this Appendix, the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users

of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

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

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