

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 2006T Bonds is exempt from California personal income taxes. The interest on the Series 2006T 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.

\$33,135,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2006T
(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 \$33,135,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the "Series 2006T 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 2006T Bonds by purchasing the Series 2006T Qualified Reserve Account Credit Instrument, as defined herein; and (iii) pay the costs associated with the issuance of the Series 2006T Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2006T Bonds are issued pursuant to an Indenture of Trust, dated as of January 1, 2003, as heretofore supplemented and amended, including by a Second Supplemental Indenture of Trust, dated as of November 1, 2006 (as so supplemented and amended, the "Indenture"), between the Agency and Bank of New York Trust Company, N.A., as successor trustee (the "Trustee") to BNY Western Trust Company.

The Series 2006T Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series 2006T 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 2006T Bonds. Principal of, interest on and redemption premiums, if any, on the Series 2006T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2006T 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 2006T Bonds. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2006T 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 AND GLOBAL CLEARANCE PROCEDURES."

Interest on the Series 2006T Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2007, at the respective rates set forth on the inside cover page. Principal of the Series 2006T Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover page.

The Series 2006T Bonds are subject to optional and mandatory sinking account redemption as described herein. See "THE SERIES 2006T BONDS — Redemption."

For a discussion of some of the risks associated with the purchase of the Series 2006T Bonds, see "CERTAIN RISKS TO BONDHOLDERS."

The Series 2006T 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 2006T Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS." **The pledge of Tax Revenues to secure the Series 2006T 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 \$107,110,000, and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005, outstanding as of the date hereof in the amount of \$44,360,000. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS."**

The scheduled payment of principal and interest on the Series 2006T Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Series 2006T Bonds.



THE SERIES 2006T 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 2006T 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 2006T 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 2006T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2006T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The Series 2006T 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. 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, for the Authority by the City Attorney of the City of Oakland in his capacity as Authority Counsel, and for the Underwriter by Nixon Peabody LLP, San Francisco, California. Public Financial Management, Inc., Los Angeles, California, is serving as financial advisor to the Agency. It is anticipated that the Series 2006A Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, and may be available for delivery through the Euroclear System and Clearstream, in Luxembourg, Europe, on or about November 21, 2006.

Bear, Stearns & Co. Inc.

MATURITY SCHEDULE

\$33,135,000

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2006T
(FEDERALLY TAXABLE)**

\$22,455,000 5.252% Term Bonds due September 1, 2016, @ 100%, CUSIP[†] No. 672321JQ0

\$10,680,000 5.411% Term Bonds due September 1, 2021, @ 100%, CUSIP[†] No. 672321JR8

†

Copyright 2006, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. The Agency and the Underwriter do not assume responsibility for the accuracy of such numbers.

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

AGENCY BOARD AND CITY COUNCIL

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

AGENCY AND CITY STAFF

Edmund G. Brown, Jr., *Agency Chief Executive Officer and Mayor*
Deborah Edgerly, *Agency Administrator and City Administrator*
Cheryl A.P. Thompson, *Assistant City Administrator*
LaTonda Simmons, *Agency Secretary and City Clerk*
Roland E. Smith, *City Auditor*
John Russo, *Agency Counsel and City Attorney*
William E. Noland, *Agency Treasurer and Director, Finance and Management Agency*
Daniel Vanderpriem, *Co-Director, Community and Economic Development Agency*
Claudia Cappio, *Co-Director, Community and Economic Development Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

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

Public Financial Management, Inc.
Los Angeles, California
Financial Advisor

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

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

Nixon Peabody LLP
San Francisco, California
Underwriter's Counsel

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 2006T 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 shall there be any sale of the Series 2006T 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 2006T 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 shall 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 2006T 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 2006T 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 2006T Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Series 2006T Bonds, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Series 2006T 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 2006T 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.

TABLE OF CONTENTS

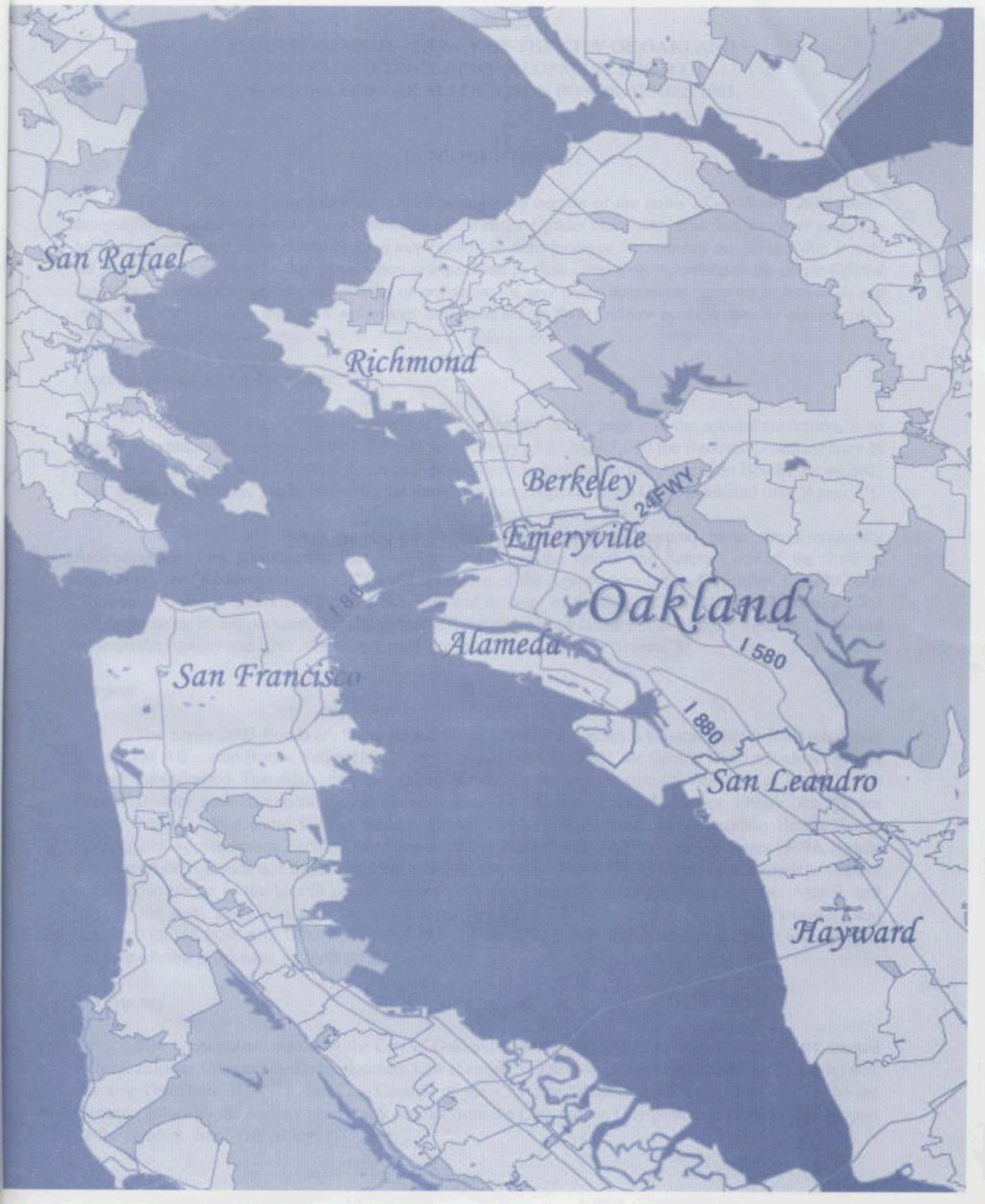
	<u>PAGE</u>
INTRODUCTION.....	1
General.....	1
Purpose.....	1
The Agency.....	2
The Authority.....	2
The City.....	2
The Project Area.....	2
The Series 2006T Bonds.....	2
Security for the Series 2006T Bonds.....	3
Bond Insurance.....	4
Certain Risk Factors.....	5
Continuing Disclosure.....	5
Additional Information.....	5
PLAN OF FINANCE.....	6
ESTIMATED SOURCES AND USES OF FUNDS.....	6
THE SERIES 2006T BONDS.....	6
Description.....	6
Redemption.....	7
DEBT SERVICE COVERAGE PROJECTIONS.....	11
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS.....	12
Tax Allocation Financing.....	12
Allocation of Taxes.....	12
Tax Revenues.....	13
Outstanding Senior and Parity Debt.....	14
Reserve Account.....	14
Additional Parity and Subordinate Debt.....	16
BOND INSURANCE AND RESERVE SURETY.....	18
The MBIA Insurance Corporation Insurance Policy.....	18
MBIA Insurance Corporation.....	19
Regulation.....	19
Financial Strength Ratings of MBIA.....	19
MBIA Financial Information.....	20
Incorporation of Certain Documents by Reference.....	20
Reserve Account Surety Bond Policy.....	21
TAX ALLOCATION FINANCING.....	22
Introduction.....	22
Property Tax Rate and Appropriation Limitations.....	22
Unitary Property.....	23
Property Tax Collection Procedures.....	23
Certification of Agency Indebtedness.....	25
Limitations on Indebtedness, Receipt of Tax Increment and Power of Eminent Domain.....	25
Low and Moderate Income Housing Fund.....	25
Assembly Bill 1290.....	26

Senate Bill 211	27
CERTAIN RISKS TO BONDHOLDERS.....	27
Accuracy of Assumptions.....	27
Reduction of Tax Revenues.....	27
Reductions in Unitary Values.....	28
Appeals to Assessed Values.....	28
Hazardous Substances.....	29
Reduction in Inflation Rate.....	29
Delinquencies.....	29
Investment Funds.....	30
Bankruptcy and Foreclosure.....	30
Impact of State Budgets.....	30
Seismic Factors.....	31
Secondary Market.....	31
Parity Obligations.....	31
Series 2006T Bonds Are Limited Obligations.....	32
Limited Recourse on Default.....	32
LIMITATIONS ON TAX REVENUES.....	32
Introduction.....	32
Property Tax Rate Limitations-Article XIII A.....	33
Property Tax Collection Procedures.....	34
Appropriation Limitation – Article XIII B.....	35
SB 2557.....	35
Proposition 218.....	35
Taxation of Unitary Property.....	36
Limitation of Tax Revenues From Certain Increased Tax Rates.....	36
Redevelopment Plan Limitations.....	36
Statement of Indebtedness.....	37
Housing Set-Aside.....	38
Future Initiatives.....	38
THE PROJECT AREA.....	38
General.....	38
Action Areas.....	41
Other Projects and Special Programs.....	42
Recent Developments in the Project Area.....	43
Controls, Land Use and Building Restrictions.....	43
Redevelopment Plan Limitations.....	43
Historical and Current Tax Revenues.....	44
Principal Taxpayers.....	47
Land Use.....	48
Pending Appeals for Reduction of Assessed Valuation.....	48
Tax Rates.....	49
Allocation of Taxes.....	50
Teeter Plan.....	51
THE AGENCY.....	51
Members, Authority and Personnel.....	51
Powers.....	52
Agency Finances.....	53
TAX MATTERS.....	53

OTHER TAX MATTERS RELATED TO THE SERIES 2006T BONDS.....	54
Backup Withholding	54
ERISA	55
CERTAIN LEGAL MATTERS.....	55
THE AUTHORITY.....	56
ABSENCE OF MATERIAL LITIGATION.....	56
FINANCIAL ADVISOR.....	56
CONTINUING DISCLOSURE.....	56
UNDERWRITING.....	57
RATINGS.....	57
MISCELLANEOUS.....	58

APPENDICES

APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND.....	A-1
APPENDIX B – REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005.....	B-1
APPENDIX C – REPORT OF THE FISCAL CONSULTANT.....	C-1
APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	D-1
APPENDIX E – PROPOSED FORM OF BOND COUNSEL OPINION	E-1
APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE.....	F-1
APPENDIX G – DTC AND THE BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES	G-1
APPENDIX H – SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.....	H-1



\$33,135,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION BONDS, SERIES 2006T
(FEDERALLY TAXABLE)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2006T 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 2006T 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.

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 \$33,135,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the “Series 2006T Bonds”) to be issued by the Redevelopment Agency of the City of Oakland (the “Agency”).

The Series 2006T 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 October 31, 2006 (the “Resolution”) which authorized the issuance, sale and delivery of the Series 2006T Bonds. The Series 2006T 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, and a Second Supplemental Indenture of Trust, dated as of November 1, 2006 (collectively, the “Indenture”), by and between the Agency and Bank of New York Trust Company, N.A., as successor trustee (the “Trustee”) to BNY Western Trust Company.

The Series 2006T Bonds will be issued by the Agency for sale to the Oakland Joint Powers Financing Authority (the “Authority”) pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code. See “THE AUTHORITY” and “UNDERWRITING” herein. The Series 2006T Bonds purchased by the Authority will be immediately resold by the Authority to the underwriter of the Series 2006T Bonds.

Purpose

The Series 2006T 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 2006T Bonds by purchasing the Series 2006T Qualified Reserve Account Credit Instrument, as defined herein; and (iii) pay the costs associated with the issuance of the Series 2006T Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.” The Series 2006T 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 Interstate 80, Interstate 580, Interstate 980 and Interstate 880, 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 district, as well as residential and public uses. See “THE PROJECT AREA.”

The Series 2006T Bonds

The Series 2006T 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 2006T BONDS.”

The Series 2006T 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 2006T Bonds. Individual purchases of the Series 2006T Bonds will be made in book-entry form only. Clearstream and the Euroclear System may hold omnibus positions on behalf of their participants through customers’ securities accounts in

Clearstream's and Euroclear's names on the books of their respective depositories which in turn are to hold such positions in customers' securities accounts in the depositories' names on the books of DTC.

Principal of, premium, if any, and interest on, the Series 2006T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2006T 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 2006T Bonds. Purchasers will not receive certificates representing the Series 2006T Bonds purchased by them. See APPENDIX G – “DTC AND THE BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

It is expected that the Series 2006T Bonds will be available for delivery through the facilities of DTC in New York, New York, and may be available for delivery through the Euroclear System and Clearstream, in Luxembourg, Europe, on or about November 21, 2006.

Each Series 2006T 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 2006T Bonds), commencing March 1, 2007, and will mature on the dates and in the amounts set forth on the inside cover page hereof.

Security for the Series 2006T Bonds

General. The Series 2006T 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 2006T 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 Project Area is Fiscal Year 1968-69. The Agency, under the Indenture, pledges the Tax Revenues to secure repayment of the Series 2006T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T 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 of the Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any other Parity Debt (each as defined below) (collectively, the “Bonds”); 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 2006T BONDS – Additional Parity and Subordinate Debt.”

Outstanding Senior and Parity Debt. The pledge of Tax Revenues securing the Series 2006T 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 \$47,215,000. See “DEBT SERVICE COVERAGE PROJECTIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS

– Outstanding Senior and Parity Debt.” The Series 2006T 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 \$107,110,000, and 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 \$44,360,000.

Reserve Account. In connection with the issuance of the Series 2003 Bonds, a Reserve Account under the Indenture was established for the Series 2003 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture, including the Series 2006T Bonds, in an amount equal to the Reserve Requirement (as defined herein). On the date of delivery of the Series 2003 Bonds, a reserve account surety bond policy (the “Series 2003 Qualified Reserve Account Credit Instrument”) issued by Financial Guaranty Insurance Company was deposited into the Reserve Account to satisfy the Reserve Requirement attributable to the Series 2003 Bonds. On the date of delivery of the Series 2005 Bonds, a reserve account surety bond policy (the “Series 2005 Qualified Reserve Account Credit Instrument”) issued by Ambac Assurance Corporation was deposited into the Reserve Account to satisfy the portion of the Reserve Requirement attributable to the Series 2005 Bonds. On the date of delivery of the Series 2006T Bonds, a portion of the Series 2006T Bond proceeds will be used to purchase a reserve account surety bond policy (the “Series 2006T Qualified Reserve Account Credit Instrument”) in the amount of \$3,313,500 issued by MBIA Insurance Corporation (the “Series 2006T Insurer” or “MBIA”) for deposit into the Reserve Account for the Series 2006T Bonds to satisfy the portion of the Reserve Requirement attributable to the Series 2006T Bonds. In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient therefore, the Series 2003 Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2003 Bonds, the Series 2005 Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2005 Bonds and the Series 2006T Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2006T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS – Reserve Account” and “BOND INSURANCE AND RESERVE SURETY – Reserve Account Surety Bond.”

THE SERIES 2006T 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 2006T 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 2006T 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 2006T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2006T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

Bond Insurance

The payment of principal of and interest on the Series 2006T Bonds when due will be insured by a financial guaranty insurance policy (the “Series 2006T Policy”) to be issued by the Series 2006T Insurer simultaneously with the delivery of the Series 2006T Bonds. See “BOND INSURANCE AND RESERVE SURETY” and APPENDIX H – “SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.”

Certain Risk Factors

Investment in the Series 2006T Bonds involves risk. For a discussion of certain considerations relevant to an investment in the Series 2006T Bonds, see “CERTAIN RISKS TO BONDHOLDERS.”

Continuing Disclosure

The Agency has agreed to provide, or cause to be provided, to each repository designated by the Securities and Exchange Commission (“SEC”) from time to time for purposes of Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time (“Rule 15c2-12(b)(5)”) (each a “National Repository”) and with any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5) and recognized as such by the SEC (each, a “State Repository”) certain annual financial information and operating data (each, an “Annual Report”) and, in a timely manner, notice of certain material events (each, a “Material Event Notice”). In lieu of filing the Annual Reports and any Material Event Notices with each National Repository and each State Repository, the Agency may file any Annual Report or Material Event Notice with the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the SEC (the “Central Post Office”). These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” for a description of the specific nature of the Annual Report and Material Event Notices and a summary description of the terms of the disclosure agreement pursuant to which such reports are to be made.

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 Material Event Notices.

Additional Information

This Official Statement contains brief descriptions of the Series 2006T Bonds, the security for the Series 2006T Bonds, the Indenture, the Agency, the Project, the Project Area and certain other information relevant to the issuance of the Series 2006T 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 2006T 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, 2005 are included in APPENDIX B. The proposed form of legal opinion of Bond Counsel for the Series 2006T 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 2006T 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.

PLAN OF FINANCE

A portion of the proceeds of the Series 2006T 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, the renovation of the historic Fox Oakland Theater.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2006T Bonds are as follows:

Sources:

Principal Amount	<u>\$33,135,000</u>
TOTAL SOURCES	<u>\$33,135,000</u>

Uses:

Deposit to Redevelopment Fund ⁽¹⁾	\$32,500,000
Costs of Issuance ⁽²⁾	<u>635,000</u>
TOTAL USES	<u>\$33,135,000</u>

⁽¹⁾ To be used to finance redevelopment activities in the Project Area. See “PLAN OF FINANCE.”

⁽²⁾ Includes the fees and expenses of Bond Counsel, fees and expenses of the Trustee and the Financial Advisor, the Underwriter’s discount, printing costs, rating agency fees, bond insurance and reserve account surety bond premiums and other costs related to the issuance of the Series 2006T Bonds.

THE SERIES 2006T BONDS

Description

The Series 2006T 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 2006T 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 March 1, 2007, and will mature on the dates and in the amounts set forth on the cover page hereof. The Series 2006T Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. The Series 2006T Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2006T Bond will have more than one maturity date. The Series 2006T Bonds will be issued only as one fully registered Series 2006T Bond for each maturity of each Series of the Series 2006T 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 AND GLOBAL CLEARANCE PROCEDURES.” 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 2006T 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 February 15, 2007, in which event it will bear interest from the date of delivery of the Series 2006T Bonds; provided, however, that if, as of the date of authentication of any Series 2006T Bond, interest thereon is in default, such Series 2006T Bond will bear interest from the date to which interest has previously been paid in full.

Interest on the Series 2006T 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 2006T 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 2006T Bonds. The principal of the Series 2006T 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 AND GLOBAL CLEARANCE PROCEDURES."

Redemption

Optional Redemption. The Series 2006T Bonds are subject to redemption prior to their maturity, at the option of the Agency, from any source available for such purpose, in whole or in part on any date, in such order of maturity as the Agency determines, at a redemption price equal to the greater of:

(a) One-hundred percent (100%) of the principal amount of the Series 2006T Bonds to be redeemed; or

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2006T 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 2006T Bonds being redeemed to the date fixed for redemption.

For the purpose of determining the Treasury Rate, the following definitions will apply:

"Treasury Rate" means, with respect to any redemption date for a particular Series 2006T Bond, the rate per annum, expressed as a percentage of the principal amount, 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, as calculated by the Designated Investment Banker.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2006T Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the

applicable Series 2006T Bonds 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 2006T Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2006T Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (ii) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

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

“Reference Treasury Dealer” means an investment banking institution of national standing, specified by the Agency from time to time, that is a primary U.S. Government securities dealer in New York City (which may be one or both of the Remarketing Agents) (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 Deal Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2006T Bond, the average, as determined by the Designated Investment Banker, 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 to the Designated Investment Banker 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 2006T Bonds that are Term Bonds and maturing on September 1, 2016 and September 1, 2021 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, 2007 and September 1, 2017, respectively, 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 (a) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture (as described under the subcaption “– Purchase in Lieu of Redemption” below) and (b) 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 2006T 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).

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

**Series 2006T Bonds Maturing
September 1, 2016**

Sinking Fund Payment Date (September 1)	Principal Amount
2007	\$2,700,000
2008	2,460,000
2009	2,590,000
2010	2,325,000
2011	2,450,000
2012	2,595,000
2013	2,740,000
2014	2,890,000
2015	830,000
2016 [†]	875,000

[†] Maturity.

Giving effect to the mandatory redemption set forth above, the average life of the Series 2006T Bonds maturing September 1, 2016 calculated from the date of delivery is 4.722 years.

**Series 2006T Bonds Maturing
September 1, 2021**

Sinking Fund Payment Date (September 1)	Principal Amount
2017	\$920,000
2018	965,000
2019	1,020,000
2020	3,785,000
2021 [†]	3,990,000

[†] Maturity.

Giving effect to the mandatory redemption set forth above, the average life of the Series 2006T Bonds maturing September 1, 2021 calculated from the date of delivery is 13.617 years.

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 2006T 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 2006T Bonds Outstanding are redeemed, the Series 2006T Bonds to be redeemed will be selected by the Authority; provided, however, if less than all of the Series 2006T Bonds of a given maturity are redeemed, the Series 2006T 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 2006T 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 2006T Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2006T 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 2006T Bonds to be redeemed are required to be in authorized denominations and all Series 2006T 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 2006T 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 2006T 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 2006T Bonds so called for redemption will have been duly deposited with the Trustee, such Series 2006T 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.

Purchase in Lieu of Redemption. In lieu of redemption of the Term Bonds pursuant to the Indenture, amounts on deposit in the Special Fund or in the Principal Account may also be used and withdrawn by the Agency and the Trustee, respectively, at any time, upon the Written Request of the Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Agency in any twelve-month period ending on July 1 in any year will be credited towards and will reduce the par amount of the Term Bonds required to be redeemed pursuant to the Indenture; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by said July 1.

DEBT SERVICE COVERAGE PROJECTIONS

The following table shows annual debt service on the Senior Bonds, the Series 2003 Bonds, the Series 2005 Bonds and the Series 2006T Bonds, without regard to any optional redemption, and estimated coverage.

Bond Year Ending Sept. 1	Projected Tax Revenues ¹	1992 Senior Bonds Debt Service ²	Tax Revenues Available for Series 2006T Bonds and Parity Debt	Series 2003 Bonds Debt Service ²	Series 2005 Bonds Debt Service ²	Series 2006T Bonds Debt Service	Total Parity Debt Service	Estimated Coverage (times)	Estimated Combined Coverage (times)
2007	\$30,260,000	\$7,959,250	\$22,300,750	\$8,822,075	\$2,218,000	\$4,066,736	\$15,106,811	1.48	1.31
2008	30,260,000	7,985,100	22,274,900	8,793,475	2,218,000	4,075,427	15,086,902	1.48	1.31
2009	30,260,000	7,994,825	22,265,175	8,786,075	2,218,000	4,076,228	15,080,303	1.48	1.31
2010	30,260,000	6,745,088	23,514,913	10,035,825	2,218,000	3,675,201	15,929,026	1.48	1.33
2011	30,260,000	6,757,538	23,502,463	10,024,825	2,218,000	3,678,092	15,920,917	1.48	1.33
2012	30,260,000	6,801,563	23,458,438	9,977,575	2,218,000	3,694,418	15,889,993	1.48	1.33
2013	30,260,000	6,835,513	23,424,488	9,944,600	2,218,000	3,703,129	15,865,729	1.48	1.33
2014	30,260,000	6,863,700	23,396,300	9,917,875	2,218,000	3,709,224	15,845,099	1.48	1.33
2015	30,260,000	-	30,260,000	16,781,300	2,218,000	1,497,441	20,496,741	1.48	1.48
2016	30,260,000	-	30,260,000	16,780,100	2,218,000	1,498,850	20,496,950	1.48	1.48
2017	30,260,000	-	30,260,000	16,780,125	2,218,000	1,497,895	20,496,020	1.48	1.48
2018	30,260,000	-	30,260,000	16,784,175	2,218,000	1,493,114	20,495,289	1.48	1.48
2019	30,260,000	-	30,260,000	16,779,775	2,218,000	1,495,897	20,493,672	1.48	1.48
2020	30,260,000	-	30,260,000	-	16,288,000	4,205,705	20,493,705	1.48	1.48
2021	30,260,000	-	30,260,000	-	16,289,500	4,205,899	20,495,399	1.48	1.48
2022	30,260,000	-	30,260,000	-	16,290,750	-	16,290,750	1.86	1.86
TOTAL	\$484,160,000	\$57,942,575	\$426,217,425	\$160,207,800	\$77,702,250	\$46,573,258	\$284,483,308		

(1) Tax Revenue is net of the 20% Housing Set-Aside and the SB 2557 property tax administration costs and pass-through payments. For coverage purposes, this table maintains tax increment at a constant level equal to the amount available for debt service based on projected Fiscal Year 2006-2007 revenues, based on Fiscal Year 2006-2007 assessed values provided by the Alameda County Auditor-Controller. See "LIMITATIONS ON TAX REVENUES – SB 2557" and APPENDIX C – "REPORT OF THE FISCAL CONSULTANT" on Table 2.

(2) See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS – Outstanding Senior and Parity Debt."

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected by a redevelopment agency within a redevelopment project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter 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 are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated. See "TAX ALLOCATION FINANCING."

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 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") shall be allocated to and when collected shall 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 shall be allocated to and when collected shall 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 shall 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 shall 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 Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any other 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 Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any other 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 2006T Bonds. Under the Indenture, the Agency may incur additional loans, advances or indebtedness on a parity with the Series 2006T Bonds, the Series 2005 Bonds and the Series 2003 Bonds (“Parity Debt”), which Parity Debt will be equally secured on a parity with the Series 2006T Bonds, the Series 2005 Bonds and the Series 2003 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,” 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 2006T Bonds and, consequently, the principal of, and interest on, the Series 2006T Bonds. Likewise, broadened property tax exemptions could have a

similar effect. See “CERTAIN RISKS TO BONDHOLDERS” and “LIMITATIONS ON TAX REVENUES.”

THE SERIES 2006T 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 2006T 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 2006T 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 2006T BONDS ARE LIABLE PERSONALLY ON THE SERIES 2006T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

In consideration of the acceptance of the Series 2006T Bonds by those who shall 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 2006T 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 Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the Series 2006T 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 2006T Bonds or in the Indenture.

Outstanding Senior and Parity Debt

The Series 2006T 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 shall not issue or incur any obligations payable from Tax Revenues on a basis senior to the payment of debt service on the Series 2006T 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 \$47,215,000; with average annual debt service of approximately \$7,242,822.

The Series 2006T 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 \$107,110,000 and Series 2005 Bonds, which are outstanding as of the date hereof in the amount of \$44,360,000. The Agency may issue other debt, payable on a parity with or subordinate to the payment of debt service on the Series 2006T Bonds, the Series 2005 Bonds and the Series 2003 Bonds subject to the conditions set forth in the Indenture. See “– Additional Parity and Subordinate Debt.”

Reserve Account

In connection with the issuance of the Series 2003 Bonds, a Reserve Account under the Indenture was established for the Series 2003 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture, including the Series 2006T Bonds, in an amount equal to the Reserve

Requirement. On the date of delivery of the Series 2003 Bonds, a reserve account surety bond policy issued by Financial Guaranty Insurance Company was deposited into the Reserve Account to satisfy the Reserve Requirement attributable to the Series 2003 Bonds. On the date of delivery of the Series 2005 Bonds, a reserve account surety bond policy issued by Ambac Assurance Corporation was deposited into the Reserve Account to satisfy the portion of the Reserve Requirement attributable to the Series 2005 Bonds. On the date of delivery of the Series 2006T Bonds, a portion of the Series 2006T Bond proceeds will be used to purchase a reserve account surety bond policy (the “Series 2006T Qualified Reserve Account Credit Instrument”) in the amount of \$3,313,500 issued by the Series 2006T Insurer for deposit into the Reserve Account for the Series 2006T Bonds to satisfy the portion of the Reserve Requirement attributable to the Series 2006T Bonds. See “BOND INSURANCE AND RESERVE SURETY.” In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient therefore, the Series 2003 Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2003 Bonds, the Series 2005 Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2005 Bonds and the Series 2006T Qualified Reserve Account Credit Instrument on deposit in the Reserve Account will be used for the payment of debt service on the Series 2006T Bonds. The Series 2006T Qualified Reserve Account Credit Instrument meets the requirements of a Qualified Reserve Account Credit Instrument set forth in the Indenture and described, in part, below. 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 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.

“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. 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 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 Series 2006T 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 shall 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.”

“Qualified Reserve Account Credit Instrument” is defined to mean an irrevocable standby or direct-pay letter of credit, insurance policy 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 “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; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder 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; and (e) such letter of credit, insurance policy or surety bond otherwise meeting the requirements of the Indenture.

Additional Parity and Subordinate Debt

Issuance of Parity Debt. In addition to the Series 2006T Bonds, the Series 2005 Bonds and the Series 2003 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 shall 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 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 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 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 Additional Parity 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 the 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 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 2006T Bonds (“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, Additional Parity 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 the Indenture have been satisfied.

BOND INSURANCE AND RESERVE SURETY

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation (“MBIA”) for use in this Official Statement. Reference is made to APPENDIX H for a specimen of the Series 2006T Policy.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Series 2006T Policy and MBIA set forth under the heading “THE MBIA INSURANCE CORPORATION INSURANCE POLICY.” Additionally, MBIA makes no representation regarding the Series 2006T Bonds or the advisability of investing in the Series 2006T Bonds.

The Series 2006T Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Agency to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2006T Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Series 2006T Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2006T Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

The Series 2006T Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2006T Bonds. The Series 2006T Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2006T Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Series 2006T also does not insure against nonpayment

of principal of or interest on the Series 2006T Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other trustee for the Series 2006T Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2006T Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2006T Bonds or presentment of such other proof of ownership of the Series 2006T Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2006T Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2006T Bonds in any legal proceeding related to payment of insured amounts on the Series 2006T Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2006T Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Series 2006T Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody’s Investors Service, Inc. rates the financial strength of MBIA “Aaa.”

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2006T Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2006T Bonds. MBIA does not guaranty the market price of the Series 2006T Bonds nor does it guaranty that the ratings on the Series 2006T Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of \$11.0 billion (audited), total liabilities of \$7.2 billion (audited), and total capital and surplus of \$3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2006, MBIA had admitted assets of \$11.3 billion (unaudited), total liabilities of \$6.9 billion (unaudited), and total capital and surplus of \$4.3 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2006 and for the six month periods ended June 30, 2006 and June 30, 2005 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2005;
- and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d)

of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2006T Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2005, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2006 and June 30, 2006 are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

Reserve Account Surety Bond Policy

Application has been made to MBIA for a commitment to issue a reserve account surety bond policy (the "Series 2006T Qualified Reserve Account Credit Instrument"). The Series 2006T Qualified Reserve Account Credit Instrument will provide that upon notice from the Trustee to MBIA to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2006T Bonds, MBIA will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2006T Bonds or the available amount of the Series 2006T Qualified Reserve Account Credit Instrument, whichever is less. Upon the later of: (i) three (3) days after receipt by MBIA of a Demand for Payment in the form attached to the Series 2006T Qualified Reserve Account Credit Instrument, duly executed by the Trustee; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Trustee to MBIA, MBIA will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Series 2006T Qualified Reserve Account Credit Instrument is the initial face amount of the Series 2006T Qualified Reserve Account Credit Instrument less the amount of any previous deposits by MBIA with the Trustee which have not been reimbursed by the Agency. The Agency and MBIA have entered into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the Agency is required to reimburse MBIA, within one year of any deposit, the amount of such deposit made by MBIA with the Trustee under the Series 2006T Qualified Reserve Account Credit Instrument. Such reimbursement shall be made only after all required deposits to the Debt Service Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse MBIA, with interest, until the face amount of the Series 2006T Qualified Reserve Account Credit Instrument is reinstated before any cash deposit is made to the Reserve Account or any moneys are released from the lien of the Indenture. No optional redemption of Obligations may be made until the Series 2006T Qualified Reserve Account Credit Instrument is reinstated. The Series 2006T Qualified Reserve Account Credit Instrument will be held by the Trustee in the Reserve Account and is provided as an alternative to the Agency depositing

funds equal to the portion of the Reserve Requirement attributable to the Outstanding Series 2006T Bonds. The Series 2006T Qualified Reserve Account Credit Instrument will be issued in the face amount equal to the portion of the Reserve Requirement attributable to the Series 2006T Bonds and the premium therefor will be fully paid by the Agency at the time of delivery of the Series 2006T Bonds.

TAX ALLOCATION FINANCING

Introduction

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the Base Year Value, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll. Except as discussed in the following paragraph, taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as above indicated.

The California Legislature placed on the ballot for the November 1988, general election Proposition No. 87 (Assembly Constitutional Amendment No. 56) pertaining to allocation of tax increment revenues. This measure, which was approved by the electorate, authorized the Legislature to cause tax increment revenues attributable to certain increases in tax rates occurring after January 1, 1989, to be allocated to the entities on whose behalf such increased tax rates are levied rather than to redevelopment agencies, as would have been the case under prior law. The measure applies to tax rates levied to pay principal of and interest on general obligation bonds approved by the voters on or after January 1, 1989. Assembly Bill 89 (Statutes of 1989, Chapter 250), which implements this Constitutional Amendment, became effective on January 1, 1990.

Property Tax Rate and Appropriation Limitations

Article XIII A of State Constitution. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975/76 tax bill 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.” This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in various other minor or technical ways.

The Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce Tax Revenues, and, accordingly, would have an adverse impact on the ability of the Agency to pay debt service on the Series 2006T Bonds.

Court Challenges to Article XIII A. There have been many challenges to Article XIII A of the State Constitution. In *Nordlinger v. Hahn*, a challenge relating to residential property, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Article XIII B of State Constitution. An initiative to amend the State Constitution was approved on November 6, 1979 thereby adding Article XIII B to the California Constitution ("Article XIII B"). Under Article XIII B state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIII B does not affect the appropriations of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters.

The California State Legislature, by Statutes of 1980, Chapter 1342 enacted a provision of the Redevelopment Law (Health and Safety Code Section 33678) providing that the allocation and payment of taxes to a redevelopment agency for the purpose of paying principal of or interest on loans, advances or indebtedness incurred for redevelopment activity as defined in the statute shall not be deemed the receipt by the Agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning or for the purpose of Article XIII B of the State Constitution, nor shall such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purposes of Article XIII B of the State Constitution or any statutory provision enacted in implementation of Article XIII B.

Unitary Property

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988/89 Fiscal Year, will be allocated as follows: (1) each jurisdiction, including the Project Area, will receive up to 102% of its prior year State-assessed revenue; (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula; and (3) any 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. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas. See also "LIMITATIONS ON TAX REVENUES – Taxation of Unitary Property."

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 the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. 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 other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (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 judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements 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.

Penalties. 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."

Certification of Agency Indebtedness

A significant provision of the Redevelopment Law, Section 33675, was added by the Legislature in 1976, providing for the filing not later than the first day of October of each year with the county auditor of a statement of indebtedness certified by the chief fiscal officer of the Agency for each redevelopment project that receives tax increment. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of such bonds and the outstanding balance and amount due on such bonds. Similar information must be given for each loan, advance or indebtedness that the Agency has incurred or entered into to be payable from tax increment.

The Redevelopment Law also provides that the county auditor is limited in payment of tax increment to a redevelopment agency to the amounts shown on the Agency's statement of indebtedness. Section 33675 further provides that the statement of indebtedness is *prima facie* evidence of the indebtedness of the Agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action shall involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under the section. The Series 2006T Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the county auditor.

Limitations on Indebtedness, Receipt of Tax Increment and Power of Eminent Domain

In 1976 the Legislature enacted AB 3674 (Statutes of 1976, Chapter 1337) which added Sections 33333.2 (later renumbered as Section 33333.4), 33334.1 and 33354.6 to the Redevelopment Law. While the effective date of AB 3674 was January 1, 1977, the new limitations contained in these sections, which are discussed below, are applicable to redevelopment plans adopted on or after October 1, 1976.

Section 33333.4 now requires redevelopment plans adopted on or after October 1, 1976 to contain a limit on the number of tax dollars which may be divided and allocated to a redevelopment agency pursuant to its redevelopment plan, a time limit on the establishing of loans, advances and indebtedness to finance, in whole or in part, the redevelopment project and a time limit not to exceed twelve years for the commencement of eminent domain proceedings to acquire property within the Project Area.

Section 33334.1 requires a redevelopment plan adopted on or after October 1, 1976 to contain a limit on the amount of bonds or indebtedness which can be outstanding at one time.

Section 33354.6 provides that with respect to any amendment of a redevelopment plan (which provides for the allocation of taxes) to make certain changes, including adding new territory to a project area, a redevelopment agency must follow the procedures and be subject to the same restrictions as provided in the adoption of a new redevelopment plan.

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. 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 2006T Bonds) shall be paid on a superior basis to the additional 5% housing set-aside.

Assembly Bill 1290

Assembly Bill 1290 (being Chapter 942, Statutes of 1993) (“AB 1290”) was adopted by the California Legislature and became law on January 1, 1994. The enactment of AB 1290 created several significant changes in the Redevelopment Law, including the following:

(i) time limitations for redevelopment agencies to incur and repay loans, advances and indebtedness that are repayable from tax increment revenues. See “THE PROJECT AREA – Redevelopment Plan Limitations” for a discussion of the time limitations;

(ii) limitations on the use of the proceeds of loans, advances and indebtedness for auto malls and other sales tax generating redevelopment activities, as well as for city and county administrative buildings. However, AB 1290 confirmed the authority of a redevelopment agency to make loans to rehabilitate commercial structures and to assist in the financing of facilities or capital equipment for industrial and manufacturing purposes;

(iii) provisions affecting the housing set-aside requirements of an agency, including severe limitations on the amount of money that is permitted to accumulate in the Agency’s housing set-aside fund. However, these limitations are such that an agency will be able (with reasonable diligence) to avoid the severe penalties for having “excess surplus” in its housing set-aside fund; and

(iv) provisions relating primarily to the formation of new redevelopment project areas, including (i) changes in the method of allocation of tax increment revenues to other taxing entities affected by the formation of redevelopment project areas, (ii) restrictions on the finding of “blight” for purposes of formation of a redevelopment project area and (iii) new limitations with respect to incurring and repaying debt and the duration of the new redevelopment plan.

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the eleventh year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the thirty-first year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the thirtieth year must be so paid. The first year for purposes of this statutory formula is fiscal year 2001-02.

The Agency is of the opinion that the provisions of AB 1290, including the time limitations provided in AB 1290, will not have an adverse impact on the payment of debt service on the Series 2006T Bonds.

Senate Bill 211

Senate Bill 211 (being Chapter 741, Statutes of 2001) (“SB 211”) was adopted by the California Legislature and became law on January 1, 2002. Among other things SB 211 authorizes a redevelopment agency that adopted a redevelopment plan on or before December 31, 1993, to amend that plan in accordance with specified procedures to extend its effectiveness and receive tax increment revenues with respect to the plan for not more than 10 years if specified requirements are met. If a plan is so amended, the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%. SB 211 also allows redevelopment agencies to amend redevelopment plans to eliminate the time limit for the establishment of loans, advances and indebtedness. However, such elimination will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective. The Agency has covenanted in the Indenture not to amend the Redevelopment Plan in a manner that would impair the Agency’s ability to pay debt service on the Bonds. The Agency adopted an ordinance on January 6, 2004, eliminating the time limit for the establishment of loans, advances and indebtedness as to the Project Area, excluding that portion of the Project Area (the “2001 Amendment Area”) added by Plan amendment on July 24, 2001.

CERTAIN RISKS TO BONDHOLDERS

The following information should be considered by prospective investors in evaluating the Series 2006T Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations that may be relevant to making an investment decisions with respect to the Series 2006T Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Series 2006T 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 2006T Bonds will, in all likelihood, be less than those projected herein. See “DEBT SERVICE COVERAGE PROJECTIONS.”

Reduction of Tax Revenues

Tax Revenues allocated to the Agency, which constitute the primary security for the Series 2006T Bonds, are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed, and the percentage of taxes collected in the Project Area. Several types of events that are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues. A reduction of taxable values of property in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency’s control (such as a successful appeal by a property owner for a reduction in a property’s assessed value, a reduction of the general inflationary rate, a reduction in value, or the destruction of property caused by natural or other disasters) could occur, thereby causing a reduction in the Tax Revenues that secure the Series 2006T Bonds. Such a reduction in Tax Revenues

could have an adverse impact on the Agency's ability to make timely payment of principal of and interest on the Series 2006T Bonds.

Moreover, in addition to the other limitations on Tax Revenues described under "LIMITATIONS ON TAX REVENUES," the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Agency. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce Tax Revenues and adversely affect the security of the Series 2006T Bonds.

Additionally, the Agency has no power to levy and collect property taxes. The receipt of tax revenues by the Agency is dependent on the timely payment of property taxes by landowners within the Project Area. Substantial delinquencies in the payment of property taxes on land in the Project Area by a large number of landowners could have an adverse effect on the Agency's ability to make timely debt service payments on the Series 2006T Bonds secured by Tax Revenues derived from the Project Area. Tax revenues allocated to the Agency are distributed throughout the fiscal year in installments, with a first installment in January, a second installment in May, and a supplemental installment in June of the same fiscal year. The payments are adjusted to reflect actual collections.

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 2005-06, approximately 5.53% 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 "– Taxation of 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 – Pending Appeals for Reduction of Assessed Valuation."

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 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 Series 2006T Bonds could reduce Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Property Tax Rate Limitations-Article XIII A."

Delinquencies

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 2006T 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."

Investment Funds

All funds held by the Trustee under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix D attached hereto for a summary of the definition of Permitted Investments. All funds held by the Agency, including the Special Fund into which all Tax Increment Revenues are initially deposited, may be invested by the Agency in any investment authorized by law. See the audited financial statements of the Agency for the year ended June 30, 2005 attached hereto as Appendix B for a description of the Agency's investments at June 30, 2005. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the Series 2006T Bonds.

Bankruptcy and Foreclosure

The rights of the Owners of the Series 2006T Bonds and the enforceability of the obligation to make payments on the Series 2006T Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinion of Bond Counsel as to the enforceability of the obligation to make payments on the Series 2006T Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX E – "PROPOSED FORM OF BOND COUNSEL OPINION."

Further, the payment of the tax increment revenues and the ability of the County to timely 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. Any delay in prosecuting superior court foreclosure proceedings would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2006T Bonds and the possibility of delinquent tax installments not being paid in full.

Impact of State Budgets

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each 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 under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

In 2003, the State Legislature adopted and the Governor of the State signed legislation, SB 1045, requiring redevelopment agencies to pay into ERAF in Fiscal Year 2003-04 an aggregate amount of \$135 million. SB 1045, signed by the Governor in September 2003 required the payment into ERAF in the 2003-04 fiscal year only. SB 1045 provides that one-half of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other one-half of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities), as such tax increment revenues are shown in Table 1 of the fiscal year 2001-02 Annual Report of the California State Controller. The Governor's budget for the 2004-05 fiscal year as implemented by SB 1096 and the Governor's budget for the 2005-06 fiscal year as implemented by SB 77 each again included a transfer by redevelopment agencies to the applicable ERAFs. The

aggregate ERAF transfer by all redevelopment agencies increased from \$135 million in the 2003-04 fiscal year to \$250 million in each of the 2004-05 and 2005-06 fiscal years. SB 1096 provides that required transfers to ERAF are subordinate to payments on bonds secured by tax increment revenues. Based on the tax increment revenues shown in the State Controller's Annual Report as being retained by the Agency, the Agency paid into ERAF \$4,706,820 by May 10, 2005 and \$4,669,367 by May 10, 2006. No other payments beyond the 2005-06 fiscal year are currently mandated.

The Agency cannot predict whether the State Legislature will adopt legislation requiring other shifts of redevelopment property tax increment revenues in future fiscal years to the State and/or to schools, whether by the ERAF mechanism or by other arrangement. Should such legislation be enacted, Tax Revenues available for payment of the Series 2006T Bonds may, in the future, be substantially reduced, and the Agency's ability to pay debt service on the Series 2006T Bonds may be impaired.

Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer.

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 2006T Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2006T Bonds or, if a secondary market exists, that the Series 2006T 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.

Parity Obligations

As described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS – Additional Parity and Subordinate Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Series 2006T 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 2006T Bonds in the event of a decrease in the Agency's collection of Tax Revenues.

Series 2006T Bonds Are Limited Obligations

The Series 2006T 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 2006T 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 2006T 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 2006T BONDS.” No Owner of the Series 2006T 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 2006T Bonds.

Limited Recourse on Default

If the Agency defaults on its obligations to make debt service payments on the Series 2006T Bonds, the Trustee, as assignee of the Agency, has the right to accelerate the total unpaid principal amount of the Series 2006T 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 2006T Bonds.

LIMITATIONS ON TAX REVENUES

The Series 2006T 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 2006T Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISKS TO BONDHOLDERS.”

Introduction

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as described above.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment (see “– Property Tax Rate Limitations- Article XIII A” below) are allocated among the various jurisdictions in the “tax area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Property Tax Rate Limitations-Article XIII A

Section 1(a) of Article XIII A of the California Constitution limits the maximum *ad valorem* tax on real property to one percent of full cash value (as defined in Section 2 of Article XIII A), to be collected by the counties and apportioned according to law. Section 1(b) of Article XIII A provides that the one percent limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, or (2) any 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. Section 2 of Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill 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 two percent (2%) per year, or reduction in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the California Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A of \$4.00 per \$100 of assessed valuation (based on the traditional practice of using 25% of full cash value as the assessed value for tax purposes). Beginning with the 1981-82 fiscal year, assessors in California no longer record property values on the tax rolls at the assessed value of 25% of market value and now record them at full market value. Consequently, the tax of \$4.00 per \$100 of assessed value is now expressed at \$1.00 per \$100 of taxable value.

In the general elections of 1986, 1988 and 1990, California voters approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the full cash value of other real property between parents and children do not constitute a “purchase” or “change of ownership” triggering reassessment under Article XIII A. This amendment will reduce the property tax revenues of the City and the tax increment of the Agency. Other amendments permitted the Legislature to allow persons over 55 who sell their residence and on or after November 5, 1986, buy or build another of equal or lessor value within two years in the same county to transfer the old residence’s assessed value to the new residence, and permitted the Legislature to authorize each county under certain circumstances to adopt an ordinance making such transfer or assessed value applicable to situations in which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

In the June 1990 election, the voters of the State approved additional amendments to Article XIII A permitting the California Legislature to extend the replacement dwelling provisions applicable to persons over 55 to severely disabled homeowners for replacement dwellings purchased or newly constructed on or after June 5, 1990, and to exclude from the definition of “new construction” triggering reassessment improvements to certain dwellings for the purpose of making the dwelling more accessible to severely disabled persons. In the November 1990 election, the voters approved the amendment to Article XIII A to permit the State Legislature to exclude from the definition of “new construction” seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Both the California Supreme Court and the United States Supreme Court have upheld the constitutionality of Article XIII A.

Property Tax Collection Procedures

The County assesses real and personal property values and collects and distributes secured and unsecured property taxes among the County, and the cities, school districts and other special districts located within the County area.

For each Fiscal Year, taxes are levied on taxable real and personal property situated in the County as of the preceding January 1. For assessments and collection purposes, property is classified either as “secured” or “unsecured,” and is listed accordingly on separate parts of the assessment roll. The “secured roll” is that part of the assessment roll containing State-assessed property and property secured by a lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each Fiscal Year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of such Fiscal Year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one-half percent per month up to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Treasurer-Tax Collector’s power of sale and may be subsequently sold by the Treasurer-Tax Collector.

The “supplemental roll,” which was established by legislation in 1984, directs the County Assessor to reassess real property at market value upon completion of construction or a change of ownership. A property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered. Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July and October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing and the second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

State law exempts from assessed valuation \$7,000 of the full cash value of an owner-occupied residence, but this exemption does not result in any loss of revenue to local agencies, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State. As of fiscal year 1984-85, the State reimbursement with respect to the business inventory exemption, which formerly had been in the amount of 50%, then 100%, was repealed. This subdivision for counties has been replaced by increased motor vehicles license fees.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder’s office, in order to obtain a lien on certain property

of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest belonging to the taxpayer. These collection methods can be used separately or jointly.

Appropriation Limitation – Article XIII B

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 “base year” 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, and benefit payments from retirement, unemployment insurance and disability insurance funds.

Effective September 30, 1980, the California 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 receipt by the Agency of proceeds of taxes levied by or on behalf of the Redevelopment 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 Community Redevelopment Agency v. Woosley and Brown v. Community Redevelopment Agency of the City of Santa Ana*, which cases were not accepted for review by the California Supreme Court.

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 2005-06 the County’s administrative fee for the Project Area was approximately \$347,762, which was approximately 0.87 percent of Fiscal Year 2005-06 gross tax increment revenues.

Proposition 218

On November 5, 1996, California voters approved Proposition 218 – Voter Approval for Local Government Taxes – Initiative Constitutional Amendment. Proposition 218 added Articles XIII C and XIII D to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The Series 2006T Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218.

Taxation of Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the 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 the 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 cash 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 revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value. Further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

For Fiscal Year 2005-06, approximately 5.53% of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

Limitation of Tax Revenues From Certain Increased Tax Rates

An initiative to amend the California Constitution entitled "Property Tax Revenues – Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. This initiative amends the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative applies to tax rates levied to finance bonds approved by the voters on or after January 1, 1989. The Agency does not currently project receiving any tax revenues as a result of general obligation bonds which may have been approved on or after January 1, 1989.

Redevelopment Plan Limitations

Assembly Bill 1290 ("AB 1290") provides for the placement of time limits on the effectiveness of every redevelopment plan, and provides that after ten years from the termination date of a plan's effectiveness, no redevelopment agency, subject to certain exceptions, will pay indebtedness or receive property taxes in connection therewith. AB 1290 does not affect the validity of any bond, indebtedness, or other obligation authorized prior to January 1, 1994, nor does it affect the right of an agency to receive property taxes to pay such indebtedness or other obligation.

Among other amendments to the Redevelopment Law, AB 1290 imposes time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of tax increment revenues. The time limits imposed on AB 1290 apply individually to each plan as well as to specific territory added by amendments to a redevelopment plan. See “TAX ALLOCATION FINANCING – Senate Bill 211.” AB 1290 required the Agency to adopt such a time limit for the receipt of increment, which may not extend more than ten years beyond the duration of each redevelopment plan. Pursuant to AB 1290 which took effect January 1, 1994, 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 recently amended the Redevelopment Plan again to extend these limits. Accordingly, the time limit for Plan activities (for that portion of the Project Area included when the plan was adopted on June 12, 1969) is June 12, 2012 and the time limit to repay debt or receive property taxes is June 12, 2022. In addition, pursuant to Section 33333.6(e)(2)(B) of the Redevelopment Law, the Agency adopted an ordinance on January 6, 2004, eliminating the time limit for the establishment of loans, advances and indebtedness to most of the Project Area. For a small portion of the Project Area (approximately 14.86 acres) added by Plan amendment (the “2001 Amendment Area”) on July 24, 2001, the time limit for the establishment of loans, advances and indebtedness is July 24, 2021. For additional information regarding the time limits applicable to each territory within the Project Area, see “THE PROJECT AREA – Redevelopment Plan Limitations” and Appendix C – “REPORT OF THE FISCAL CONSULTANT.”

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 Project Area has been established in the amount of \$1,348,862,000.

Through Fiscal Year 2005-06, the Agency has been allocated \$473,669,667 of tax increment revenue according to Agency and County records. Based on the projection of revenues over the life of the Project Area, the Agency will not reach its tax increment limit prior to the final maturity date of the Series 2006T Bonds. If, however, the Project Area sustains growth above the new development already incorporated in the projection of revenues in the Report of the Fiscal Consultant attached as APPENDIX C to this Official Statement, of over four percent (4%) per year for the remaining term of the Series 2006T Bonds, the Project Area will reach its tax increment limit before the final maturity date of the Series 2006T Bonds. In order to ensure that the tax increment cap is not reached prior to the payment in full of the Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any Parity Debt, the Agency has covenanted in certain circumstances to deposit Tax Revenues not needed to pay scheduled debt service on the Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any Parity Debt into an escrow pledged to the payment of debt service on the Series 2006T Bonds, the Series 2005 Bonds, the Series 2003 Bonds and any Parity Debt. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006T BONDS – Additional Parity and Subordinate Debt.”

For those tax increment revenues generated by that portion of the Project Area added by the 2001 Plan amendment, the Agency is subject to statutory pass-through requirements created by AB 1290. This area was initially eligible to receive tax increment revenue in Fiscal Year 2002.

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area not later than the first day of October 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 (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. Available revenues include amounts held by the Agency and irrevocably pledged to the payment of Debt, but do not include amounts set aside for low and moderate income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year 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 Auditor may dispute the statement of indebtedness in certain cases. Section 33675 provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such a dispute in the event it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a Trustee in connection with a bond issue or payments to a public agency in connection with payment by that public agency with respect to a lease or bond issue.

Housing Set-Aside

Section 33334.2 and 33334.6 of the Redevelopment Law require the Agency to set aside not less than the Housing Set-Aside to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. 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 bond indebtedness the Agency may issue or incur for such project area, and that all Agency debt service (including debt service on the Series 2006T Bonds) shall be paid on a superior basis to the additional 5% Housing Set-Aside.

Future Initiatives

Article XIII A, Article XIII B and certain other propositions affecting property tax levies 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 Agency revenues or the Agency's ability to expend revenues.

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. For the third fiscal quarter of 2004, the class A and B

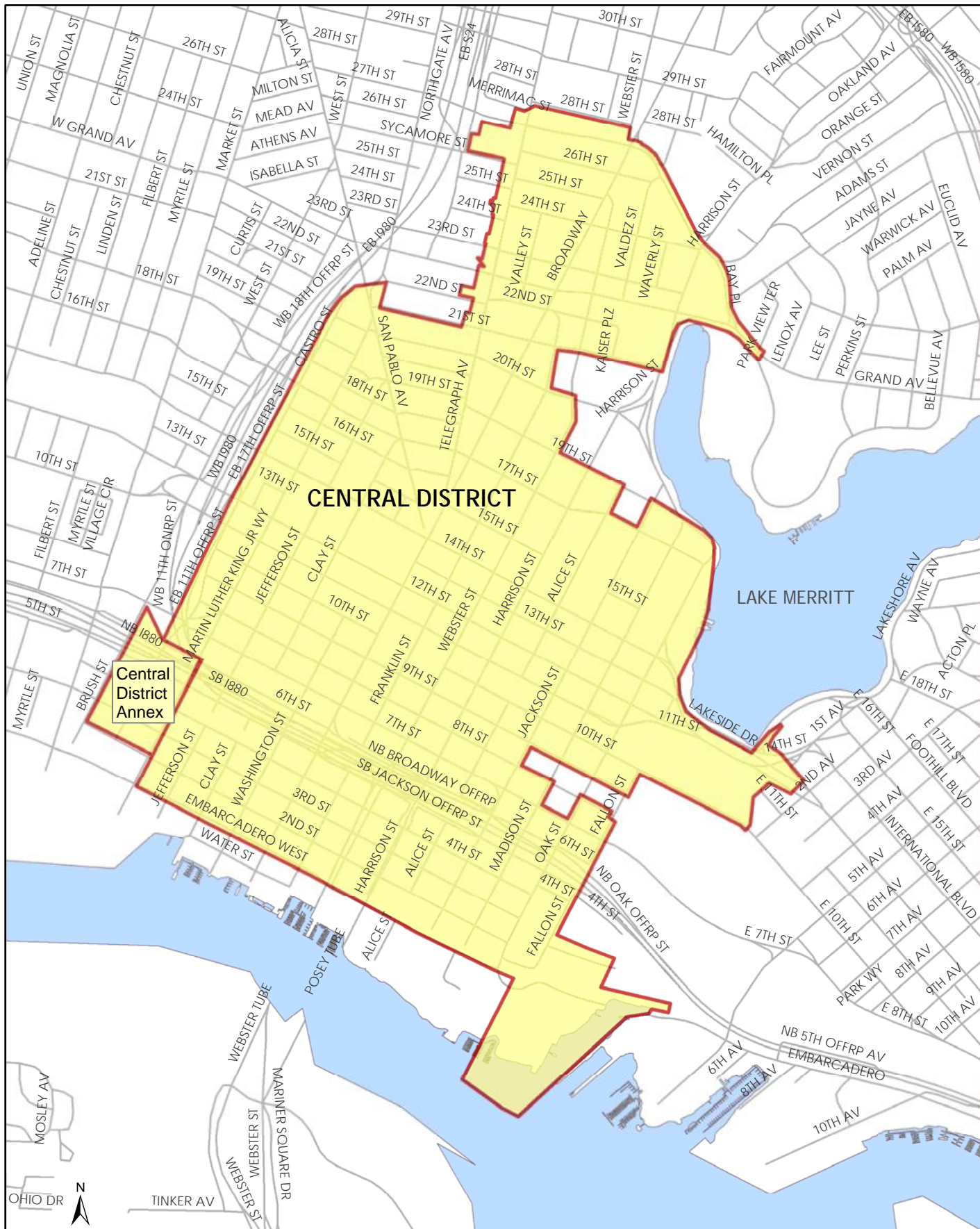
buildings had a combined vacancy rate of approximately 12.9%, with the recently completed 555 City Center building expected to achieve 90% occupancy once tenants with existing executed leases occupy such office space.

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.

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

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 the Retail Center (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. The Agency is continuing with plans to develop housing and retail business in the Project Area.

City Center. The City Center action-area is a major mixed-use, multi-purpose development on a 15-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 recently completed 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 (the "Federal Building"); (iii) the City Center West Garage (a 1,452-space garage owned by the Agency); (iv) three blocks awaiting development: two under a Disposition and Development Agreement with the Shorenstein Company for 1.2 million square-feet of office space, and the 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 (sold in September 2004 with a construction start in early 2005); and (v) the three blocks of Preservation Park (consisting primarily of office space leased to nonprofit organizations) plus Landmark Place (a half-block site 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 started construction in mid-2006 (86 units).

Uptown. The Uptown Project, formerly the Retail Center Project, is in the construction stage. The Agency has entered into a Lease Disposition and Development Agreement with Uptown Housing Partners, LLC, a single-purpose entity created by Forest City Residential West to develop 665 units of rental housing in the Uptown area including 9,000 square feet of retail space. The Agency has negotiated a separate Disposition and Development Agreement with Forest City Residential West for the construction of a 175-unit for-sale project, including 20,000 square feet of retail. Other 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), the Fox Theater Rehabilitation Project (including restoration of the Theater into a live show entertainment venue and rehabilitation of the surrounding

office space into a permanent facility for the Oakland School for the Arts), Fox Courts, an 80-unit affordable housing development sponsored by Resources for Community Development, 17th Street and San Pablo Garage (a 325-space public parking garage that is completed construction in January of 2006 by Rotunda Garage, LP), and Telegraph and Broadway streetscape improvements (improvements at 14th and Broadway are already completed), façade improvements and retail attraction.

Other Projects and Special Programs

In addition to working in the four action areas, the Agency has a number of projects scattered throughout the rest of the Project Area. These projects include: (1) the State of California Office Building replacement of earthquake-damaged offices with 660,000 gross square feet of new office space, completed in 1996; (2) the University of California Office of the President Headquarters construction of a 225,000 square-foot office building, completed in 1998, which includes an Agency-owned public parking garage; (3) the rehabilitation of the Key System building in conjunction with the new construction of a 200,000 square-foot office building currently in the planning stages; (4) the Tribune Building - the renovation of a historic 90,000 square-foot office building which was completed in 2000; (5) the Bermuda Building - demolition of the blighted/earthquake-damaged building, completed in 2002, and the development of an approximately 200,000 square-foot office building which is expected to be completed in late 2007; and (5) the Broadway Auto Row Streetscape Improvements from Grand Avenue north, completed in 1999.

The Agency has also initiated the 10K Housing Initiative, Downtown Façade Improvement Programs, Downtown Tenant Improvement Program, Business Attraction, Marketing, Special Events, Community Restoration and Downtown Walking Patrol.

10K Housing. The main strategy of the Agency for downtown development for the past seven years has been the implementation of Mayor Brown's 10K housing initiative to attract 10,000 new residents to the area. This goal translates to a target of developing 6,000 new residential units. Including the five Agency projects (Uptown, City Walk, Landmark Place, Franklin 88, Market Square and Swan's Market), there were 1,879 units completed, 2,425 units under construction, 2,395 units with planning approvals and 3,389 units with planning applications under the 10K Housing Initiative as of August 2006. These projects will provide 10,088 units or over 168% of the 10K target.

Downtown Façade Improvement Program. The Façade Program offers up to \$20,000 in matching grants and free architectural assistance to property and/or business owners to remodel and improve the appearance of the exterior of buildings in designated areas within the Uptown, Downtown Historic Old Oakland, Chinatown and Lower Broadway districts. As of August 2006, the program has provided matching grants to 145 completed or in construction projects and had 58 projects in the design or preliminary phase. Including completed projects and the projects in process, the Agency will spend \$3.1 million, which will leverage over \$16 million in improvements.

Downtown Tenant Improvement Program. The Tenant Improvement Program offers up to \$99,000 in matching grants (typically \$5 to \$10 per square foot) and free interior architectural assistance to lure retail, restaurants, arts and entertainment into vacant storefronts in designated areas of the Downtown: Embarcadero to 27th Street and Jefferson Street over to Webster Street. As of August 2006, the program has provided matching grants to 60 new businesses opening or in construction in Downtown Oakland plus 11 additional projects in the design or preliminary phase. Including completed projects and the projects in process, the Agency will spend \$1.8 million, which will leverage over \$5.75 million in interior capital improvements. The Project Area was expanded in 2005 to include additional storefronts. There are now 400 in the Project Area. 100 of these were vacant in September 2003. The program has helped reduce the vacancy rate from 25% to 9% in just three years. The dramatic decrease in vacancy

retail vacancy rates has lead to an increase in value to commercial property owners and an increase in sales tax. 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

In addition to the development projects directly sponsored by the Agency and listed above, there have been a number of major private projects including the following:

Completions in 2006. **Market Square Phase I** - 116 condominiums completed in June 2007 and sold out except demonstration and retail units; **Aqua Via** - 100 units completed in May 2006 and 70% leased as of August 2006; **428 Alice** - 93 condominiums scheduled for completion fall 2006, 45% sold by August 2006; **Signature Jack London Square** - 91 condominiums scheduled for completion fall 2006; **14th and Jackson** - 45 condominiums scheduled for completion 2006; and several small scattered projects.

Completions in 2007-09. **Uptown** - 665 rental units, 80% market rate and 20% affordable, schedule for phased completion in 2008-09; **City Walk** - 252 condominiums now for sale and scheduled for completion in 2007; **Broadway Grand Phase I** - 132 condominiums scheduled for completion in 2007; **8 Orchids** - 157 condominiums scheduled for completion 2007; **Jade** - 77 condominiums scheduled for completion 2007; **Market Square Phase II** - 86 condominiums scheduled for completion 2007-08; **200 Broadway** - 134 condominiums scheduled for completion 2008.

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

The Project Area is subject to the following limitations: (i) for activities within the territory added to the Project Area from June 12, 1979 to June 1, 2001, bonded indebtedness outstanding at any one time cannot exceed \$100 million and total tax increment collected cannot exceed \$75 million; (ii) cumulative gross tax increment cannot exceed \$1,348,862,000 (of which approximately \$473,669,667 has been collected through June 30, 2006); (iii) the Redevelopment Plan terminates on June 12, 2012 (for territory within the Project Area prior to June 1, 2001); and (iv) the debt repayment limit is June 12, 2022 (for territory within the Project Area prior to June 1, 2001). For territory added to the Project Area by the Twelfth Amendment to the Redevelopment Plan adopted on July 24, 2001, the debt incurrence limit is July 24, 2021, the Redevelopment Plan limit is July 24, 2032, and the debt repayment/tax increment receipt limit is July 24, 2047. See also “LIMITATIONS ON TAX REVENUES – Redevelopment Plan Limitations.” Table 1 summarizes the Plan Limits for the Project Area, including the 2001 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>	2001 <u>Amendment Area</u>	<u>Total</u>
Adoption Date	June 12, 1969	July 24, 2001	
Time Limit for Debt Issuance	NONE	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	N/A	\$1.348 billion
Acreage	813.50	14.86	828.36

⁽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 in Fiscal Year 2005-06 they generated approximately \$84,000 in tax increment. Total tax increment collected from the 1982 Amendment Area cannot exceed \$75 million.

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 Senior Bonds, the Series 2003 Bonds, the Series 2005 Bonds and the Series 2006T Bonds is the Agency's share of *ad valorem* property tax revenues which generally result from the completion of new real estate developments and a general reassessment of properties within the Project Area.

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

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area establishes a base from which increases in taxable value are computed. The 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 shall 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 “CERTAIN RISKS TO BONDHOLDERS – Reduction of Tax Revenues,” “– Reductions in Unitary Values” and “ – Delinquencies.”

Table 2 below presents the taxable value of all property within the Project Area for fiscal years ended June 30, 2003 through June 30, 2007.

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

	<u>2002-03</u>	<u>2003-04⁽¹⁾</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
<u>Gross Assessed Value</u>					
County Secured Roll	\$2,578,802,969	\$2,780,748,678	\$2,943,407,589	\$3,228,165,752	\$3,546,594,124
County Unsecured Roll	<u>312,964,127</u>	<u>309,065,383</u>	<u>310,689,300</u>	<u>354,780,042</u>	<u>341,795,015</u>
Total Gross Assessed Values	\$2,891,767,096	\$3,089,814,061	\$3,254,096,889	\$3,582,945,794	\$3,888,389,139
<u>Less Exemptions</u>					
County Secured Roll	(\$146,743,950)	(\$242,052,728)	(\$239,926,626)	(\$262,466,469)	(\$313,144,912)
County Unsecured Roll	<u>(7,714,909)</u>	<u>(8,048,496)</u>	<u>(11,769,795)</u>	<u>(13,448,722)</u>	<u>(3,998,748)</u>
Total Exemptions	(\$154,458,859)	(\$250,101,224)	(\$251,696,421)	(\$275,915,191)	(\$317,143,660)
<u>Net Assessed Values</u>					
County Secured Roll	\$2,432,059,019	\$2,538,695,950	\$2,703,480,963	\$2,965,699,283	\$3,233,449,212
County Unsecured Roll	<u>305,249,218</u>	<u>301,016,887</u>	<u>298,919,505</u>	<u>341,331,320</u>	<u>337,796,167</u>
Total Net Assessed Values	\$2,737,308,237	\$2,839,712,837	\$3,002,400,468	\$3,307,030,603	\$3,571,245,479
<u>Base Year Values (1968-69)</u>					
Secured	\$214,110,703	\$228,537,163	\$228,537,163	\$228,537,163	\$228,537,163
Unsecured	<u>61,129,825</u>	<u>62,484,067</u>	<u>62,484,067</u>	<u>62,484,067</u>	<u>62,484,067</u>
Total Base Year Values	\$275,240,528	\$291,021,230	\$291,021,230	\$291,021,230	\$291,021,230
<u>Increase Over Base-Year Values</u>					
Secured	\$2,217,948,316	\$2,310,158,787	\$2,474,943,800	\$2,737,162,120	\$3,004,912,049
Unsecured	<u>244,119,393</u>	<u>238,532,820</u>	<u>236,435,438</u>	<u>278,847,253</u>	<u>275,312,200</u>
Total Increase in Values	\$2,462,067,709	\$2,548,691,607	\$2,711,379,238	\$3,016,009,373	\$3,280,224,249

(1) The 2001 Amendment Area was added for the 2003-04 fiscal year.
Source: *Alameda County Auditor-Controller*.

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

Table 3 below reflects historical Tax Revenues received by the Project Area based on fiscal years ending June 30, 2002, through June 30, 2006. 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

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Tax Increment Revenues	\$25,937,346	\$30,285,088	\$31,272,365	\$32,679,752	\$37,846,550
State Unitary Tax	2,873,553	4,064,379	2,347,743	3,225,070	2,206,520
Gross Tax Revenues	\$28,810,899	\$34,349,468	\$33,620,109	\$35,904,822	\$40,053,070
Less County Tax					
Administration Fees	(256,607)	(349,559)	(308,587)	(371,194)	(349,762)
Less Housing Set-Aside (20%)	(5,762,180)	(6,869,894)	(6,724,022)	(7,180,964)	(8,010,614)
Less Tax Sharing Payments ⁽¹⁾	--	--	(55,992)	(450,112)	(1,252,915)
Net Tax Increment Revenues	\$22,792,112	\$27,130,015	\$26,531,508	\$27,902,552	\$30,439,779

(1) The amendment to the Redevelopment Plan for the original Project Area to eliminate the limitation on the incurrence of new indebtedness required the initiation of tax sharing payments beginning in fiscal year 2004-05 pursuant to Section 33607.7 of the Community Redevelopment Law (the "CRL"). Tax sharing payments are required of the 2001 Amendment Area by Section 33607.5 of the CRL.

Source: *Alameda County Auditor-Controller; HdL Coren & Cone.*

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

Principal Taxpayers

The following Table 4 lists the major taxpayers and type of business in the Project Area in terms of their 2006-07 assessed valuation:

Table 4
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
10 Largest Local Taxpayers

<u>Property Owner</u>	<u>Number of Parcels Owned</u>	<u>Type of Business</u>	<u>2006-07 Total Assessed Value</u>	<u>% of Total Assessed Value</u>	<u>% of Incremental Value</u>
OCC Venture LLC	9	Commercial Office Buildings	\$206,539,501	5.82%	6.34%
Kaiser Foundation Health Plan Inc. ⁽¹⁾	11	Administrative Offices/Parking	163,173,236	4.60	5.01
1800 Harrison Foundation	1	Commercial Office Building	114,900,203	3.24	3.53
Clorox Company ⁽¹⁾	3	Commercial Office Buildings	93,590,595	2.64	2.87
555 Twelfth Street Venture LLC ⁽¹⁾	1	Commercial Office Building	89,186,247	2.51	2.74
Brandywine Ordway LLC	1	Commercial Office Building	89,151,972	2.51	2.74
Sodalite Limited Partnership	3	Commercial Office Building and Parking Garage	66,045,000	1.86	2.03
SSR Western Multifamily LLC ⁽¹⁾	3	High Rise Multifamily Residential	64,567,437	1.82	1.98
US Property Fund III GMBH & Company ⁽¹⁾	1	Commercial Office Building	47,262,691	1.33	1.45
Sparknight	3	Commercial Office Building	42,396,957	1.19	1.30
	<u>36</u>		<u>\$976,813,839</u>	<u>27.53%</u>	<u>29.99</u>

(1) Property owners with currently pending appeals. See “ – Pending Appeals for Reduction of Assessed Valuation” below.
Source: *Alameda County Assessor Secured Tax Rolls; HdL Coren & Cone.*

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

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 2006-07. It is based on the lien date tax roll for fiscal year 2006-07.

Table 5
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
Project Area Land Use Categories

<u>Category</u>	<u>Parcels</u>	<u>Assessed Value</u>	<u>%</u>
Residential	2,511	\$936,855,881	26.23%
Commercial	1,240	1,993,039,984	55.81
Industrial	329	178,896,517	5.01
Recreational	35	2,533,528	0.07
Institutional	45	10,483,843	0.29
Vacant	131	109,723,871	3.07
Exempt	189	0	0.00
SBE Non-Unitary Utilities ⁽¹⁾	--	1,915,588	0.05
Unsecured ⁽¹⁾	--	<u>337,796,267</u>	<u>9.46</u>
Totals:	4,480	\$3,571,245,479	100.00%

(1) Numbers of parcels are not shown for Unsecured values and values connected with Non-Unitary Utilities because these are property tax billings that are associated with secured parcels already accounted for in other categories.

Source: *Report of the Fiscal Consultant (see Table B) attached hereto as Appendix C.*

Pending Appeals for Reduction of Assessed Valuation

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 July 11, 2006, 18.27% of the 2006-07 value of the Project Area is under appeal. The estimated reductions in the Project Area's 2007-08 Assessed Values due to all pending assessment appeals is \$42,219,019. Based on the tax increment projections of the Fiscal Consultant, the 2007-08 assessed value within the Project Area is projected to be \$3,650,668,878. The estimated reduction in assessed value due to all pending assessment appeals in the Project Area is 1.16% of the projected 2007-08 assessed value for the Project Area. After the impact of the estimated reductions due to pending assessment appeals has been factored into the projection, the projected 2007-08 assessed value of the Project Area is \$3,607,605,478*. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

* Estimated. Based on historical averages, the Fiscal consultant estimates that 45 of the 93 pending appeals will result in a reduction in assessed value and that the reduction in value for those appeals that are allowed will be 13.45%.

Table 6 lists the taxpayers of the ten largest taxpayers in the Project Area (see Table 4 above) who have filed such appeals, the assessed value of the property subject to appeal, the reduction requested, the fiscal year to which the appeal relates and the status of the appeal.

Table 6
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Area
10 Largest Local Taxpayers Pending Appeals
As of July 11, 2006

Property Owner	No. Parcels Owned	No. of Parcels Under Appeal	Assessed Valuation Under Appeal	Fiscal Year Value Appealed	Requested Reduction in Value
Kaiser Foundation Health Plan Inc.	11	1	\$44,623,262	2003-04	\$25,019,698
Kaiser Foundation Health Plan Inc	11	1	\$6,101,330	2004-05	\$4,182,563
Clorox Company	3	1	\$8,146,385	2004-05	\$2,646,385
Clorox Company	3	2	\$11,871,882	2005-06	\$1,359,605
555 Twelfth Street Venture LLC	1	1	\$108,696,836	2005-06	\$38,696,836
SSR Western Multifamily LLC	3	3	\$60,787,400	2003-04	\$60,787,400
US Property Fund III GMBH Co.	1	1	\$44,595,289	2003-04	\$44,595,289

Sources: *Alameda County Auditor-Controller and the Report of the Fiscal Consultant (see Section IV.F) attached hereto as Appendix 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 to 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 as the previous year's tax rate on secured property. See "TAX ALLOCATION FINANCING – Property Tax Rate and Appropriation Limitations" and "CERTAIN RISKS TO BONDHOLDERS – 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.”

The Override Rate approved by voters before 1989 and levied by the City 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. The Oakland Unified School District EC 16090 bonds will be retired and will no longer exist after Fiscal Year 2011-12.

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 2005-06 are as follows (for additional information, see APPENDIX C – “REPORT OF THE FISCAL CONSULTANT” on Section IV.C):

Table 7

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

<u>Agency Eligible Tax Rates</u>	<u>%</u>
General Levy	1.0000
Oakland U.S.D. EC 16090	.0001
East Bay Regional Park 1	.0057
EBMUD Special District 1	.0072
City of Oakland	.1575
Total Agency Eligible Tax Rate:	1.1705
<u>Non-Agency Eligible Tax Rates</u>	<u>%</u>
Oakland U.S.D. Bonds	.0666
Peralta Community College Dist.	.0208
City of Oakland	.0474
Total Tax Rate:	1.3053

Source: *Report of the Fiscal Consultant (see Section IV.C) attached hereto as Appendix C.*

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 – Pending Appeals for Reduction of Assessed

Valuation.” Unitary roll and supplemental assessment revenue are paid annually in two installments in January and June.

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. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the County would receive and retain delinquent payments, penalties and interest as collected, 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 is not currently a participant 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 “TAX ALLOCATION FINANCING – Property Tax Collection Procedures” and “LIMITATIONS ON TAX REVENUES.”

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, Ignacio De La Fuente as Chairperson of the Agency, and the other members of the City Council of the City of Oakland: Desley Brooks, Jane Brunner, Henry Chang, Jr., Patricia Kernighan, Nancy Nadel, Jean Quan and Larry Reid, Jr.

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.

Edmund G. Brown, Jr. serves as Mayor and Chief Executive Officer of the Agency. He was elected to this position in 1998.*

* Edmund G. Brown, Jr.’s second term as Mayor expires at the end of 2006. A new Mayor has been elected whose term commences January 1, 2007.

Deborah A. Edgerly serves as City Administrator and Agency Administrator. She was appointed to this position in 2003. Ms. Edgerly oversees the day-to-day operations and service delivery of the City, and manages certain city-wide programs. As the City Administrator, she implements City Council policy and ensures fiscal soundness in both City and Agency operations.

William E. Noland serves as Director, Finance and Management Agency of the City and Treasurer of the Agency. He was appointed to this position in 2003. Mr. Noland 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, parking enforcement and collections, human resource management 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.

Daniel Vanderprieem serves as Co-Executive Director, Community and Economic Development Agency of the City. He was appointed to this position in 2003. In this role, he strives to improve the physical landscape and economic environment of the Oakland Community through the implementation of projects, programs, and the provision of services to residents, workers, businesses, and property owners to foster compatible and sustainable growth.

Claudia Cappio, serves as Co-Executive Director, Community and Economic Development Agency of the City. She was appointed to this position in 2003 and oversees the Planning, Building and Major Projects Divisions. Key responsibilities include land use planning, construction plan checking and inspections and code enforcement.

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.

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.

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.

Agency Finances

The Agency's audited financial statements for the fiscal year ending June 30, 2005, are found in APPENDIX B. The Agency's audited financial statements for the fiscal year ending June 30, 2005 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

Interest on the Series 2006T Bonds is subject to all applicable federal income taxation. Such interest is exempt from California personal income taxes. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006T Bonds. The proposed form of opinion of Bond Counsel with respect to the Series 2006T Bonds to be delivered on the date of issuance of the Series 2006T Bonds is set forth in Appendix E – "PROPOSED FORM OF BOND COUNSEL OPINION."

The following discussion is a brief summary of certain United States Federal income tax consequences of the acquisition, ownership and disposition of the Series 2006T Bonds by original purchasers of the Series 2006T Bonds who are U.S. Holders. This summary does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules.

Holders of Series 2006T Bonds should consult with their own tax advisors concerning the United States Federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Series 2006T Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

Original Issue Discount. In general, if Original Issue Discount ("OID") is greater than a statutorily defined *de minimis* amount, a holder of a Series 2006T Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series 2006T Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. "OID" is the excess of (i) the "stated redemption price

at maturity” over (ii) the “issue price”. “Issue price” means the first price at which a substantial amount of the Series 2006T Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). “Stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2006T Bond. “Qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. A holder may irrevocably elect to include in gross income all interest that accrues on a Series 2006T Bond using the constant-yield method, subject to certain modifications.

Original Issue Premium. In general, if a Series 2006T Bond is originally issued for an issue price (excluding accrued interest) that reflects a premium over the sum of all amounts payable on the Series 2006T Bond other than “qualified stated interest” (a “Premium Bond”), that Premium Bond will be subject to Section 171 of the Code, relating to bond premium. In general, the holder of a Premium Bond may either deduct the bond premium under Section 171(a)(1) or may elect under Section 171(c) of the Code to amortize that premium as “amortizable bond premium” over the remaining term of the Premium Bond, determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the highest yield on such Premium Bond). Any such election is generally irrevocable and applies to all debt instruments of the holder (other than tax-exempt bonds) held at the beginning of the first taxable year to which the election applies and to all such debt instruments thereafter acquired. Under certain circumstances, the holder of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the holder’s original acquisition cost.

Disposition and Defeasance. Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2006T Bond, a holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such holder’s adjusted tax basis in the Series 2006T Bond. The Agency may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Series 2006T Bonds to be deemed to be no longer outstanding under the Indenture (a “defeasance”). For Federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Series 2006T Bonds subsequent to any such defeasance could also be affected.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service (“IRS”), Bond Counsel informs Owners of the Series 2006T 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 herein.

OTHER TAX MATTERS RELATED TO THE SERIES 2006T BONDS

Backup Withholding

A Series 2006T Bondowner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding tax is 28% (although the rate is scheduled to be reduced over the next few years) with respect to interest or original issue discount on the Series 2006T Bonds. This withholding generally applies if the owner of a Series 2006T Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an

incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other “reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Series 2006T Bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2006T Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2006T Bonds will be reported to the Series 2006T Bondowners and to the Internal Revenue Service.

Under the Code, interest and original issue discount income with respect to Series 2006T Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons (“Nonresidents”) generally will not be subject to the United States withholding tax (or backup withholding) if the Agency (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2006T Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident Series 2006T Bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA

The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2006T Bonds.

CERTAIN LEGAL MATTERS

The validity of the Series 2006T 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 2006T Bonds at the time of delivery of the Series 2006T Bonds. 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 Nixon Peabody LLP, San Francisco, California. Bond Counsel and Underwriter’s Counsel will receive compensation that is contingent upon the sale and delivery of the Series 2006T Bonds. Neither Bond Counsel nor Underwriter’s Counsel undertakes any responsibility to the purchasers of the Series 2006T 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 2006T 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 2006T Bonds, the corporate existence of the Agency, or the title of the officers of the agency who will execute the Series 2006T Bonds as to their respective offices. The Agency will furnish to the Underwriter of the Series 2006T Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2006T Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc., Los Angeles, California, has served as Financial Advisor to the Agency with respect to the sale of the Series 2006T 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 2006T 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 2006T Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted in the Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Series 2006T Bonds to provide, or cause to be provided, Annual Reports relating to the Agency each year by not later than the date which is 9 months following the end of the fiscal year, commencing with the report for the 2005-06 Fiscal Year and to provide Material Event Notices. The Annual Reports and Material Event Notices will be filed with each National Repository and with each then existing State Repository, if any. Currently, there is no State Repository. In lieu of filing the Annual Reports and any Material Event Notices with each National Repository and each State Repository, the Agency may file any Annual Report or Material Event Notice with the Central Post Office. 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). The specific nature of the information to be contained in the Annual Reports and in Material Event Notices is set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

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 Material Event Notices.

UNDERWRITING

The Series 2006T Bonds will be sold to the Authority and concurrently resold by the Authority to Bear, Stearns & Co. Inc, as the underwriter of the Series 2006T 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 2006T Bonds for \$32,958,476.49 (which represents the \$33,135,000.00 aggregate principal amount of the Series 2006T Bonds, less an underwriter’s discount of \$176,523.51).

The initial public offering prices of the Series 2006T Bonds may be changed from time to time by the Underwriter. The Purchase Contract for the Series 2006T Bonds among the Agency, the Authority and the Underwriter provides that the Underwriter will purchase all the Series 2006T 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.

RATINGS

Standard & Poor’s Ratings Services, a Division of The McGraw Hill Companies (“Standard & Poor’s”) has assigned the Series 2006T Bonds an underlying rating of “A-.” In addition, Moody’s Investors Service, Inc. and Standard & Poor’s have assigned ratings of “Aaa” and “AAA,” respectively, to the Series 2006T Bonds with the understanding that upon delivery of the Series 2006T Bonds a financial guaranty insurance policy insuring the payment when due of principal of and interest on the Series 2006T Bonds will be issued by the Series 2006T Insurer. See “BOND INSURANCE AND RESERVE SURETY” and APPENDIX H – “SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.” 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 2006T Bonds. An explanation of the significance of the rating may be obtained from the rating agencies as follows: Moody’s Investors Service, 99 Church Street, New York, New York 10007 and 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 2006T Bonds.

(BALANCE OF PAGE INTENTIONALLY LEFT BLANK)

MISCELLANEOUS

All of the preceding summaries of the Series 2006T Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the Series 2006T 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/ Deborah Edgerly
Agency Administrator

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

GENERAL INFORMATION

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 railroads 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; employees’ 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 elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. 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 Roland E. Smith, 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 2009.

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 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.

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

In advance of each two-year cycle, the City Administrator and Finance and Management Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

During the off-year of the two-year budget cycle, the City conducts a mid-cycle (end of year one) budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State or court actions.

The City's Adopted Policy Budget for Fiscal Years 2005-06 and 2006-07 was approved on June 21, 2005, and a mid-cycle review was conducted on June 8, 2006. To preserve core programs and services and to minimize the necessity for employee layoffs or service reductions, the City has utilized strategies that reduce the cost of doing business and raise certain fees and fines. At the core of the budget is restructuring and streamlining of City government to maximize the efficient delivery of services while minimizing reductions in such services.

City Financial Statement

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2004-05 was Macias, Gini & Company, LLP.

Within a reasonable period following the fiscal year end, the accountant submits the final audit to the City Council. The City then publishes the financial statements as of the close of the fiscal year.

State Budget

Several of the City's revenue streams, including property tax, sales tax and the motor vehicle license fee, are collected or allocated in accordance with State law. In the past, the State has amended such laws, in part to address its own budgetary requirements. The following information concerning the State of California's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not

by the City and the City can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2005-06. The 2005-06 Budget Act was passed by the State Legislature on July 7, 2005 and signed by the Governor on July 11, 2005. The 2005-06 Budget Act authorized \$113 billion in spending, of which \$90 billion was from the General Fund and \$23 billion was from special funds, and reflected an improving State fiscal outlook resulting from better-than-expected growth in General Fund Revenues.

Fiscal Year 2004-05 began with a prior-year balance of \$7.3 billion, which amount included approximately \$4 billion in amnesty-related payments. General Fund Revenues, including transfers, were estimated to total \$79.9 billion in Fiscal Year 2004-05 and \$84.5 billion in Fiscal Year 2005-06, which amounts assumed the approximately \$1 billion reduction in tax collections for each of Fiscal Year 2004-05 and Fiscal Year 2005-06. The 2005-06 Budget Act included \$525 million in one-time revenues from the refinancing of a previous tobacco-settlement backed bond, a \$428 million loan to fund a settlement relating to flood-related damage that occurred in 1986 and the retention of \$380 million in transportation-related sales tax proceeds in the General Fund. The 2005-06 Budget Act also included approximately \$6 billion in savings and related budget solutions, about one-half of which related to holding 2004-05 Proposition 98 funding at the level set forth in the 2004-05 Budget Act and \$450 million of which related to reductions in social services programs.

The repayment of the Vehicle License Fee (“VLF”) revenues diverted by the State in fiscal year 2003-04 were received in fiscal year 2005-06 by the City in the amount of approximately \$6.9 million.

The 2005-06 Budget Act included projected expenditures of approximately \$81.7 billion in Fiscal Year 2004-05 and approximately \$90 billion in Fiscal Year 2005-06. The increase in projected expenditures partly reflected (1) the Proposition 42 transfers, which were deferred in Fiscal Year 2004-05 but fully funded in Fiscal Year 2005-06, (2) the prepayment of the \$1.2 billion local government loan in Fiscal Year 2005-06 and (3) increases in both kindergarten through twelfth grade and higher education. The excess of expenditures over revenues in both Fiscal Year 2004-05 and 2005-06 was expected to decrease the General Fund reserve to approximately \$1.3 billion by the end of Fiscal Year 2005-06.

According to the LAO, the savings included in the 2005-06 Budget Act would address part of the State’s ongoing structural budget shortfalls, but the legally required expenditures would exceed projected revenues by approximately \$6.9 billion in Fiscal Year 2006-07, including an \$880 million transfer to the Budget Stabilization Account required by Proposition 58. Absent corrective actions, the remaining year-end shortfall projected for Fiscal Year 2006-07 would be approximately \$4.8 billion, which amount assumed the availability of the \$1.3 billion reserve projected for the end of Fiscal Year 2005-06.

Governor’s Proposed Budget for Fiscal Year 2006-07. On January 10, 2006, Governor Schwarzenegger released his 2006-07 Proposed Budget (the “2006-07 Proposed Budget”). Certain features of the 2006-07 Proposed Budget affecting local governments included the following:

1. The 2006-07 Proposed Budget did not include the shift of \$1.3 billion in property taxes by local governments to K-12 and Community College Districts made in each of Fiscal Years 2004-05 and 2005-06. The elimination of these shifts in Fiscal Year 2006-07 pursuant to Proposition 1A is expected to increase property tax revenues by \$350 million for both cities and counties, \$350 million for special districts and \$250 million for redevelopment agencies. Local governments were also expected to receive revenues from additional property tax revenues to local governments to offset a reduced Vehicle License Fee (the “VLF”) rate and to compensate for a loss of sales tax revenues that were dedicated to the repayment of economic recovery bonds.

2. The 2006-07 Proposed Budget included \$254 million for local streets and roads maintenance. The funds were part of the proposed \$920 million partial repayment to local governments of the Proposition 42 suspension imposed in Fiscal Year 2004-05.

May Revision to the 2006-07 Proposed Budget. On May 12, 2006, the Governor released the May Revision to the 2006-07 Proposed Budget (the “May Revision”). The May Revision included approximately \$4.8 billion and \$2.8 billion in additional State General Fund revenues for Fiscal Years 2005-06 and 2006-07, respectively, over the original projection assumed in the 2006-07 Proposed Budget. Much of this additional revenue was attributable to the May Revision’s assumptions of increased personal income tax revenue and increased corporate taxes in Fiscal Year 2005-06. From the increased State General Fund revenues, the May Revision provided for an additional \$1.6 billion in prepayments and repayments of the State’s outstanding debt. On May 15, 2006, the Legislative Analyst’s Office (LAO) released a report entitled “Overview of the 2006-07 May Revision” (the “LAO May Revision Overview”). In this report the LAO noted that the May Revision had a number of positive features, including its reliance on cautious revenue assumptions and its emphasis on debt prepayments, one-time spending, and the build up of the reserve. The LAO May Revision Overview noted, however, that the State will continue to face structural budgetary shortfalls in subsequent years, that it will be important for the Legislature to consider the trade-offs involved in sharply rising ongoing commitments in education, and suggested that budgetary debt prepayment should be focused on the next couple of years when the projected budgetary shortfalls are the largest.

State Budget for Fiscal Year 2006-07. On June 27, 2006, the Legislature passed the 2006-07 Budget Bill along with implementing legislation. The Governor signed the budget on June 30, after using his line item veto authority to reduce appropriations by \$112 million (\$62 million General Fund). The adopted budget devoted \$2.8 billion in General Fund revenues to the repayment of budgetary debt which had been incurred in previous years. About one-half of the total is for the prepayment of Proposition 42 loans from transportation funds, about \$425 million of which will be for local streets and roads. The remainder of the budgetary debt repayment is for schools, State special funds, and local governments, including claims for reimbursements of state mandates. The LAO projects that based on projections of revenues and expenditures under the 2006-07 Budget Act policies, the State would continue to face operating shortfalls in the range of \$4.5 billion to \$5 billion in 2007-08 and 2008-09. The carryover reserve from 2006-07 would be available to offset a portion of the shortfall in 2007-08.

Future State Budgets. No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

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 of California (the “Code”). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City adopted its Investment Policy for Fiscal Year 2006-07 on June 20, 2006. The investment policy may be revised by the City Council at any time.

The objectives of the investment policy are to preserve capital, to provide adequate liquidity to meet cash disbursements of the City and to reduce overall portfolio risks while maintaining market rates of return.

Current Investment Portfolio

The City currently maintains approximately \$305 million in operating funds, excluding certain restricted special revenue and pension trust funds. 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 August 31, 2006.

Fitch Inc. (“Fitch”) has assigned a managed fund credit rating of “AAA” and a market-risk rating of “V-1+” to the City’s Pooled Operating Portfolio. 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 managed-funds 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 1
City of Oakland
Pooled Operating
Portfolio
August 31, 2006**

<u>Investments</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Percent of Portfolio</u>	<u>Term</u>	<u>Days to Maturity</u>	<u>360-Day Equivalent</u>	<u>365-Day Equivalent</u>
Federal Agency Issues - Coupon	\$159,094,430.40	\$162,428,485.73	53.23%	1,296	542	3.627	3.678
Federal Agency Issues - Discount	32,676,900.33	32,186,648.35	10.55	178	69	5.124	5.195
Medium Term Notes	2,998,779.14	3,005,135.00	0.98	730	30	2.712	2.750
Money Market	40,310,000.00	40,310,000.00	13.21	1	1	5.148	5.220
Local Agency Investment Funds	27,000,000.00	27,000,000.00	8.85	1	1	4.922	4.990
Certificates of Deposit	199,000.00	199,000.00	0.07	183	109	4.824	4.891
Commercial Paper - Discount	<u>40,430,837.33</u>	<u>40,022,983.32</u>	<u>13.12</u>	<u>167</u>	<u>63</u>	<u>5.234</u>	<u>5.306</u>
Total/Average	\$302,709,947.20	\$305,152,252.40	100.00%	738	304	4.303	4.363

Source: City of Oakland, Finance and Management Agency.

GENERAL FUND REVENUES

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The major General Fund revenues are discussed below.

Property Taxation

Ad Valorem Property Taxes. Property taxes are assessed and collected by the County. Taxes arising from the general one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law, which reflects the average tax rate levied by the taxing agency for the three years before Proposition 13 was adopted. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and for pension obligations.

The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.33% of taxes collected for tax collection services provided in Fiscal Year 2005-06.

The State Budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers (see "FINANCIAL INFORMATION – *State Budget*," and "– *Other Taxes*," herein).

Assessed Valuations. All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. State law also allows exemptions from ad valorem property taxation at \$7,000 of full value of owner-occupied dwellings and 100% of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability to such entities of revenue from growth in tax bases may be affected by the establishment of redevelopment project areas which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

The following table represents a five-year history of assessed valuations in the City:

Table 2
City of Oakland
Assessed Valuations
(in \$000s)

<u>Fiscal Year</u>	<u>Local Secured</u> ⁽¹⁾	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2002-03	22,468,401	49,548	2,655,756	25,173,705
2003-04	24,592,384	66,993	2,755,382	27,414,759
2004-05	26,812,360	79,048	2,750,645	29,642,053
2005-06	29,648,879	77,961	2,884,779	32,611,619
2006-07	33,286,723	69,846	2,842,520	36,199,089

⁽¹⁾ Net of exemptions other than homeowners' exemptions.

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four 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 judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The City does not participate in a Teeter Plan. The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City. Included in these collections are the City's share of the 1 % tax rate and levies for voter-approved indebtedness.

Table 3
City of Oakland
Property Tax Levies and Collections
(in \$000s)

<u>Fiscal Year</u>	<u>City's Share of 1%</u>	<u>Levy Voter-Approved</u>	<u>Total</u>	<u>Total Collected</u>	<u>Percent Collected</u>	<u>Delinquent Collections</u>
2000-01	53,376	42,225	95,601	91,868	96.10%	3,733
2001-02	56,947	49,024	105,921	102,119	96.37	3,851
2002-03	61,164	48,441	109,605	105,277	96.05	4,328
2003-04	65,248	61,760	127,008	123,148	96.96	3,860
2004-05	68,095	59,673	127,768	123,859	96.91	3,909

Source: Alameda County Auditor-Controller.

Tax Rates

The City is divided into 33 Tax Rate Areas (“TRAs”). TRA 17-001 is the largest tax rate area in the City. TRA 17-001 provides almost 50% of the City’s *ad valorem* revenues and the distribution of its tax rates among the City, the County, and other taxing jurisdictions is typical for most of the City’s TRAs. A five-year history of the property tax rates for TRA 17-001 is shown below.

Table 4
City of Oakland
Property Tax Rates (TRA 17-001) ⁽¹⁾

<u>Fiscal Year Ended June 30</u>	<u>City of Oakland</u>	<u>Alameda County</u>	<u>Others ⁽²⁾</u>	<u>Total</u>
2002	0.4856	0.1570	0.6817	1.3243
2003	0.4625	0.1570	0.6845	1.3040
2004	0.5054	0.1570	0.6761	1.3385
2005	0.4777	0.1570	0.6710	1.3057
2006	0.4762	0.1570	0.6897	1.3229

⁽¹⁾ Includes the allocation of the 1% basic property tax rate to various taxing entities pursuant to State law (AB 8), as adjusted for transfers to the Education Revenue Augmentation Fund (ERAF). Also includes local levies for voter approved indebtedness.

⁽²⁾ Includes: Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo. Also includes allocations to ERAF.

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Finance and Management Agency.

Principal Property Taxpayers

A summary of the City's Fiscal Year 2006-07 largest secured taxpayers is presented below:

Table 5
City of Oakland
Top Ten Taxpayers, 2006-07 ⁽¹⁾

	<u>Property Owner</u>	<u>Type of Business</u>	2006-07 Assessed <u>Valuation</u>	Percentage of Total Assessed <u>Valuation⁽¹⁾</u>
1.	OCC (Oakland City Ctr.) Venture LLC	Commercial Office	\$206,539,501	0.62%
2.	SIC Lakeside Drive LLC	Commercial Office	167,461,418	0.50
3.	Kaiser Foundation Health Plan	Medical Offices	159,850,844	0.48
4.	KSL Claremont Resort Inc.	Hotel	121,866,369	0.37
5.	1800 Harrison Foundation	Commercial Office	114,900,203	0.34
6.	Clorox Company	Manufacturing	93,590,595	0.28
7.	555 Twelfth Street, Venture LLC	Commercial Office	89,186,247	0.27
8.	Brandywine Ordway LLC	Commercial Office	89,151,972	0.27
9.	Sodalite LP	Commercial Office	66,045,000	0.20
10.	SSR Western Multifamily LLC	Multifamily Residential	<u>64,567,437</u>	<u>0.19</u>
	Cumulative Total		\$1,173,159,586	3.52%

⁽¹⁾ City of Oakland 2006-07 Local Secured Assessed Valuation: \$33,357,103,032.

Source: Alameda County, Office of the Auditor-Controller.

Other Taxes

The City's General Fund has seven other sources of taxes, in addition to property taxes. They are sales and use, utility consumption, business license, real estate transfer, transient occupancy, motor vehicle in lieu, and parking taxes.

Sales & Use Taxes. The current sales tax rate in Alameda County is 8.75%. The City's General Fund traditionally receives one percent of the 8.75% under State "Bradley-Burns" law, which is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Burns 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Burns sales tax for an equal share of property taxes from the countywide Education Revenue Augmentation Fund (ERAF) until the State's deficit bonds are retired. See "GENERAL INFORMATION – *State Budget*" herein.

The City's General Fund also receives as a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993 for public safety. The City also receives a portion of the 0.50% countywide transportation sales tax, which are deposited in a special revenue fund.

Utility Consumption. The City's utility consumption tax is a surcharge on the use of electricity, gas (including alternative fuels), telephone and cable television. The tax rate is 7.5%. Low income ratepayers have been exempted from certain rate increases on gas and electric bills and pay 5.5%.

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The business license

tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

Real Estate Transfer. Real estate transfer tax revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11 % is allocated to Alameda County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. Recently, Real Estate Transfer Tax revenues have exceeded budgeted expectations, but it is unlikely that such revenues will be sustained at current levels.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility, and is collected by the lodging facility operator, who then remits the collected tax to the City. The City's TOT rate is 11%.

Motor Vehicle In Lieu Fee. Motor vehicle license fees ("VLF") are collected by the State in lieu of property taxes on vehicles and apportioned to cities and counties based on their population. The fee applies to all vehicles subject to registration in the State.

In 1999, the State started implementing a gradual, multi-phase reduction in the VLF fee, backfilling lost local receipts out of its general fund. As part of the State's Fiscal Year 2004-05 Budget, the VLF rate was permanently reduced to 0.65%, with the lost revenue replaced by an incremental allocation of property tax. The City received approximately \$6.9 million from the State in July 2005 for its share of the VLF payment.

Parking. The City's parking tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 18.5% and is applied to the gross receipts of parking facility operators.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. The City's fiscal year ends on June 30.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 6
City of Oakland
Revenues and Expenditures
General Fund
(in \$000s)

<i>Revenues</i>	Fiscal Years				
	<u>2000-01</u>	<u>2000-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
<i>Taxes</i>					
Property ⁽¹⁾	\$95,440	\$94,306	\$114,742	\$109,927	\$143,436
Sales and Use	42,256	38,447	38,162	36,464	41,651
Motor Vehicle In-Lieu	21,361	22,854	24,259	18,178	9,656
Business License	38,738	42,094	42,020	44,223	43,902
Utility Consumption	48,703	49,547	46,581	48,056	49,781
Real Estate Transfer	38,309	37,272	42,088	55,665	77,722
Transient Occupancy	12,766	10,530	10,863	9,857	10,926
Parking	6,762	7,525	8,242	9,799	7,029
Franchise	10,396	10,944	10,824	11,592	11,128
Total Taxes	314,731	313,519	337,781	343,761	395,231
Licenses and Permits	11,418	11,738	13,074	13,453	15,652
Traffic Fines and Various	16,150	12,277	18,543	26,817	24,632
Interest Income (Loss) ⁽²⁾	6,530	11,442	16,996	(5,100)	20,845
Revenue from Current Services	40,962	48,442	51,708	56,883	66,375
Grant Revenue	5,385	2,842	1,794	2,147	591
Other Revenue, incl. Transfers	11,056	14,025	17,927	23,276	21,896
Annuity Income	--	16,568	15,851	--	--
Total Revenues	\$406,232	\$434,899	\$473,674	\$461,237	\$545,222
<i>Expenditures</i>					
General Government ⁽³⁾	\$44,110	\$47,219	\$44,251	\$51,673	\$53,433
Public Safety ⁽⁴⁾	207,392	225,407	238,568	247,630	262,081
Public Works ⁽⁵⁾	24,185	26,052	23,261	27,475	28,909
Life Enrichment ⁽⁶⁾	37,149	36,320	37,526	41,359	37,581
Economic and Community Development ⁽⁷⁾	20,288	22,512	26,701	20,152	18,902
Other ⁽⁸⁾	33,112	28,889	21,353	24,902	31,237
Transfers/other sources and uses	364	--	--	-	-
Total Expenditures	\$366,600	\$386,399	\$391,660	\$413,191	\$432,143
Excess of Revenues and Other Sources over Expenditures and Other Uses	\$ 39,362	\$ 48,500	\$ 82,014	\$ 48,046	\$113,079

⁽¹⁾ Includes voter-approved tax override for pension obligation, but excludes tax levy for general obligation bonds.

⁽²⁾ Loss relates to mark-to-market accounting.

⁽³⁾ Includes elected and appointed officials, general governmental agencies and administrative services.

⁽⁴⁾ Includes police and fire services.

⁽⁵⁾ Includes Design and Construction Services, Infrastructure and Operations, Facilities and Environment.

⁽⁶⁾ Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.

⁽⁷⁾ Includes Planning and Building, Housing and Neighborhood Development, and Economic Development and Employment.

⁽⁸⁾ Includes capital outlays and certain debt service charges.

Source: City of Oakland Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

Table 7
City of Oakland
Balance Sheet
General Fund
(in \$000s)

	June 30				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
ASSETS					
Cash and investments	\$ 8,073	\$ 16,837	\$ 38,566	\$ 51,902	\$79,445
Receivables					
Accrued interest	108	345	87	429	418
Property taxes	17,411	10,391	7,125	3,161	5,484
Accounts receivable	58,739	53,367	51,391	49,669	65,855
Due from component unit	12,172	19,573	11,377	24,527	20,367
Due from other funds		89,147	87,652	67,378	68,721
Notes and loans receivable	28,295	14,826	15,034	37,059	38,619
Restricted cash and investments ⁽¹⁾	9	181,055	196,035	172,468	175,198
Other	1,498	33	35	35	1,887
TOTAL ASSETS	210,063	385,574	407,302	406,628	455,994
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other accrued liabilities	101,479	84,027	92,433	114,151	102,181
Due to other funds	1,474	1,267	451	23,571	25,110
Due to other governments	--	--	--	--	21
Deferred revenue	83,971	73,463	57,483	31,633	29,882
Other	343	1,084	3,817	3,965	6,963
TOTAL LIABILITIES	187,267	159,841	154,184	173,320	164,157
Fund Balances					
Reserved:					
Encumbrances	--	1,744	3,227	4,779	4,115
Long term receivables	--	--	--	6,000	6,000
Debt service ⁽¹⁾	--	181,679	198,058	--	3,379
Capital project	--	12,644	13,032	--	--
Pension Obligations	--	--	--	--	138,000
Total Reserved	1,664	196,067	214,317	10,799	151,494
Unreserved ⁽¹⁾	21,132	29,666	38,801	222,529	140,343
TOTAL FUND BALANCES	\$22,796	\$225,733	\$253,118	\$233,328	291,837
TOTAL LIABILITIES AND FUND BALANCES	\$210,063	\$385,574	\$407,302	\$406,628	\$455,994

⁽¹⁾ The large increase in restricted cash as of June 30, 2002, and corresponding increases in reservation for debt service for Fiscal Years 2001-02 and 2002-03 and for unreserved fund balance for Fiscal Year 2003-04 represent changes in accounting recording. The unreserved fund balance for Fiscal Year 2003-04 includes \$174.47 million retirement annuity and debt service, \$39.80 million in undesignated fund balance, and \$8.26 million in designations for capital projects.

Source: City of Oakland Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

DEBT OBLIGATIONS

The City has never defaulted on the payment of principal of or interest on any of its indebtedness or lease obligations.

General Obligation Debt

As of June 30, 2006, the City had outstanding a total of \$240,750,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters. The City has the power and is obligated to levy ad valorem taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds.

**Table 8
City of Oakland
General Obligation Bonds
As of June 30, 2006
(in \$000's)**

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Final Maturity</u>	<u>Original Par</u>	<u>Par Outstanding</u>
General Obligation Bonds, Series 2002A (Measure G)	11/6/2002	2032	\$38,000	\$36,635
General Obligation Bonds, Series 2003A (Measure DD)	8/6/2003	2033	71,450	66,150
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	6/16/2005	2025	122,170	116,965
General Obligation Bonds (Series 2006, Measure G)	6/28/2006	2036	21,000	<u>21,000</u>
Total				\$240,750

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes all of the voter-approved measures that have remaining authorization for general obligation bonds.

**Table 9
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2006
(in \$000's)**

<u>Authorization</u>	<u>Date Passed</u>	<u>Use</u>	<u>Bond Authorization</u>	
			<u>Total</u>	<u>Remaining</u>
Measure DD	11/5/2002	Recreational and aquatic facilities	\$198,250	<u>\$126,800</u>
Total				\$126,800

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last 12 Fiscal Years, including the issuance of \$75,000,000 aggregate principal amount Tax and Revenue Anticipation Notes during Fiscal Year 2006-07. The City has never defaulted on the payment of any of these notes. The following table shows a five-year history of the par amount of tax and revenue anticipation notes issued each year.

Table 10
City of Oakland
Tax and Revenue Anticipation Notes
(in \$000's)

<u>Fiscal Year</u>	<u>Par Amount</u>
2001-02	\$65,000
2002-03	53,965
2003-04	76,325
2004-05	65,000
2005-06	70,000
2006-07	75,000

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations.

Table 11
City of Oakland
Lease Obligations
As of June 30, 2006
(in \$000s)

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Final Maturity</u>	<u>Original Par</u>	<u>Par Outstanding</u>	<u>Leased Asset</u>
City of Oakland Civic Improvement Corporation Variable Rate Demand COPS, 1985	12/26/1985	2015	\$ 52,300	\$31,800	Portion of sewer system
City of Oakland Refunding COP, (Oakland Museum), 1992 Series A	6/9/1992	2012	39,408	1,058	Oakland Museum
Oakland –Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996 ⁽¹⁾ Series A1 & A2	8/2/1996	2026	70,000	60,450	Coliseum Arena
Oakland –Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D ⁽¹⁾	5/25/2000	2025	100,605	88,100	Coliseum Stadium
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, (Oakland Convention Centers) Series 2001	6/14/2001	2014	134,890	100,210	Oakland Convention Center
City of Oakland Refunding Certificates of Participation, 2002 Series A	3/21/2002	2012	16,295	16,295	Oakland Museum
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, (Oakland Buildings), 2004 Series A-1 and A-2 ⁽²⁾	6/10/2004	2026	117,200	109,200	Oakland Administration Buildings
Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2, and B ⁽²⁾⁽³⁾	6/21/2005	2026	144,950	<u>136,700</u>	Portion of sewer system
				\$543,813	
Total					

⁽¹⁾ The lease payments securing these bonds are joint and several obligations of both the City and the County of Alameda. Each entity has covenanted to budget and appropriate one-half of the annual lease payments, and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding par, representing the amount that is directly attributable to the City.

⁽²⁾ The City entered into a floating-to-fixed swap in conjunction with these bonds issue to create a “synthetic-fixed-rate” obligation.

⁽³⁾ Refunded a prior lease obligation, which had refunded a pension obligation bond.

Swaps

The City has entered into several interest rate swap agreements in conjunction with variable-rate bond issues to create “synthetic-fixed-rate” obligations. The City entered into a \$170,000,000 forward-starting, floating-to-fixed-rate swap with Goldman Sachs in conjunction with the \$187,500,000 Oakland Joint Powers Financing Authority, 1998 Series A-1/A-2 bonds, which were issued in variable-rate mode. The agreement commenced on July 31, 1998. On March 27, 2003, the City entered into an Amended and Revised Confirmation with GS Financing Products, U.S., L.P., which changed the index on which the swap is based. The City now receives 65% of the one-month London Interbank Offer Rate (“LIBOR”) and still pays the fixed rate of 5.6775%. As a result of the change in the index, the City received an up-front payment, which partially compensates the City for assuming a potentially greater basis risk. The City refunded the underlying bonds with proceeds from the sale of \$144,950,000 aggregate principal amount Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 (the “2005 JPFA Bonds”). The swap that was entered into on July 31, 1998 remains in effect and is set to terminate on July 31, 2021.

The City has entered into two interest rate swap agreements in conjunction with the \$117,200,000 aggregate principal amount Series A-1/A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2004 (the “2004 Series A-1 Bonds” and the “2004 Series A-2 Bonds”), which were sold as auction rate securities. The swap agreements are with Bank of America, N.A. and UBS AG and relate to the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, respectively, to create a synthetic fixed interest rate until August 1, 2026, for Base Rental Payments corresponding to the \$58,600,000 initial aggregate principal amounts for each of the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds. The City pays each of the counterparties a fixed rate of 3.533% and receives 58% of the one-month LIBOR rate plus 35 basis points.

For further discussion of the structure and risks associated with these swaps, please see the City’s Comprehensive Annual Financial Report for the Year Ended June 30, 2005.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Pension Obligation Bonds

The City has issued two series of pension obligation bonds to fund a portion of the current balance of the City’s Unfunded Actuarial Accrued Liability (“UAAL”) for retirement benefits to members of the Oakland Police and Fire Retirement System (“PFRS”). The second series, issued in 2001, was part of a plan of finance undertaken by the City to extend the maturity of the 1997 pension obligation bonds and to reduce the annual debt service on the bonds and so minimize the need for the City to use general fund revenues other than property tax override funds to pay debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are secured by a senior pledge of certain tax override revenues. In June 2005, the Oakland Joint Powers Financing Authority issued the 2005 JPFA Bonds. The 2005 JPFA Bonds are secured, in part, by a subordinate pledge of such tax override revenues. The table below summarizes the two currently outstanding pension obligation bond issues.

Table 12
City of Oakland
Pension Obligation Bonds
As of June 30, 2006
(in \$000s)

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Final Maturity</u>	<u>Original Par</u>	<u>Par Outstanding</u>
City of Oakland Taxable Pension Obligation Bonds, Series 1997A	2/25/1997	2010	\$420,495	\$145,838
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	\$195,636	<u>195,636</u>
Total				\$341,474

The table below summarizes the City’s payments for pension obligation bonds for the next five years. The maximum debt service payment for these bonds is \$53,130,000 in Fiscal Year 2022-23.

Table 13
City of Oakland
Annual Payments for Pension Obligation Bonds

<u>Fiscal Year</u>	<u>Annual Payment</u>
2005-06	\$34,947,586
2006-07	35,967,615
2007-08	37,011,289
2008-09	38,082,816
2009-10	39,181,314

For additional information on the City’s pension systems, see “OTHER FISCAL INFORMATION – Retirement Programs” herein.

Limited Obligations

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. These obligations are summarized below.

Redevelopment Agency of the City of Oakland

The Redevelopment Agency of the City of Oakland (the “Agency”) has issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City, or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas they support. Existing tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area and the Coliseum Area Redevelopment Project Area. The following table summarizes the Agency’s outstanding tax allocation bonds.

Table 14
Redevelopment Agency of the City of Oakland
As of June 30, 2006
(in \$000s)

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Final Maturity</u>	<u>Original Par</u>	<u>Par Outstanding</u>
Redevelopment Agency of the City of Oakland, Acorn Redevelopment Project, 1988 Tax Allocation Refunding Bonds	11/16/1988	2007	\$ 3,375	\$375
Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Senior Tax Allocation Refunding Bonds, Series 1992	12/17/1992	2014	97,655	47,215
Redevelopment Agency of the City of Oakland, General Obligation Bonds (Tribune Tower Restoration)	4/1/1998	2011	600	310
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2000T	5/16/2000	2018	39,395	9,630
Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	110,080
Redevelopment Agency of the City of Oakland, Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003 ⁽¹⁾	1/9/2003	2033	23,085	22,305
Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	44,360
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2006A and Series 2006A-T	4/4/2006	2036	84,840	<u>84,840</u>
Total				\$319,115

⁽¹⁾ Upon the issuance of the Redevelopment Agency of the City of Oakland Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B and Series 2006B-T, the Series 2003 will be refunded and defeased.

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts. The City is not responsible for debt service on the bonds in the event that assessment collections are not sufficient. The table below summarizes the City's outstanding assessment bonds.

Table 15
City of Oakland
Special Assessments
As of June 30, 2006
(in \$000s)

<u>Issue Name</u>	<u>Issuance Date</u>	<u>Final Maturity</u>	<u>Original Par</u>	<u>Par Outstanding</u>
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/22/1996	2020	\$ 465	\$ 210
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	645
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	<u>6,150</u>
Total				\$7,005

Enterprise Revenue Bonds

The City has also issued bonds secured by revenues of its sewer system. These bonds, issued on December 14, 2004 in the par amount of \$62,330,000, mature in June 2029.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of September 1, 2006, according to California Municipal Statistics, Inc., is shown below. The City makes no representations as to the accuracy of the following table; inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 16
City of Oakland
Statement of Direct and Overlapping Debt
As of September 1, 2006

2005-06 Assessed Valuation: \$32,611,618,917
 Redevelopment Incremental Valuation: 6,348,493,148
 Adjusted Assessed Valuation: \$26,263,125,769

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/06</u>
Bay Area Rapid Transit District	7.260%	\$ 6,329,631
East Bay Municipal Utility District	20.587	432,327
East Bay Municipal Utility District, Special District No. 1	52.256	19,076,053
East Bay Regional Park District	10.620	17,759,826
Chabot-Las Positas Community College District	1.298	1,146,470
Peralta Community College District	54.923	106,924,096
Berkeley and Castro Valley Unified School Districts	0.005 & 0.140	109,461
Oakland Unified School District	99.996	441,439,209
San Leandro Unified School District	12.693	5,657,478
City of Oakland	100.	241,159,189
City of Oakland 1915 Act Bonds	100.	7,005,000
City of Emeryville 1915 Act Bonds	4.183	<u>478,744</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$847,517,484
Less: East Bay Municipal Utility District (100% self-supporting)		<u>432,327</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$847,085,157

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Alameda County and Coliseum Authority General Fund Obligations	18.172%	\$ 111,086,526
Alameda County Pension Obligations	18.172	51,259,201
Alameda County Board of Education Public Facilities Corporation	18.172	191,715
Alameda-Contra Costa Transit District Certificates of Participation	21.739	4,109,758
Chabot-Las Positas Community College District General Fund Obligations	1.298	99,557
Peralta Community College District Pension Obligations	54.923	83,496,598
Oakland Unified School District Certificates of Participation	99.996	82,491,700
San Leandro Unified School District Certificates of Participation	12.693	213,242
Castro Valley Unified School District Certificates of Participation	0.140	1,694
City of Oakland and Coliseum Authority General Fund Obligations	100.	540,338,667
City of Oakland Pension Obligations	100.	<u>341,474,842</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$1,214,763,500

GROSS COMBINED TOTAL DEBT \$2,062,280,984 (1)
 NET COMBINED TOTAL DEBT \$2,061,848,657

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$241,159,189).....0.74%
 Total Gross Direct and Overlapping Tax and Assessment Debt2.60%
 Total Net Direct and Overlapping Tax and Assessment Debt.....2.60%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,122,972,698).....4.28%
 Gross Combined Total Debt.....7.85%
 Net Combined Total Debt.....7.85%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$80,879

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to \$25,000,000 after a \$2,000,000 per occurrence self-insured retention for the risks of general liability, malpractice liability, and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a \$10,000 deductible to be paid by the City. The City does not insure for damage from earthquakes and floods. As of June 30, 2005, the amount of all self-insured general liability exposure is valued at approximately \$43,099,000. Of this amount, approximately \$13,992,000 is estimated to be due within one year. The City is self-insured for its Workers' Compensation liabilities. Payment of Worker's Compensation claims is provided through annual appropriations. As of June 30, 2005, the amount of Workers' Compensation liability determined to be probable is approximately \$96,166,000. Of this amount, \$17,562,000 is estimated to be due within one year.

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed in the following table. Memoranda of Understanding effective July 1, 2002, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Miliias-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

**Table 17
City of Oakland
Labor Relations
As of June 30, 2006**

<u>Employee Organization/Bargaining Unit *</u>	<u>Number of Employees</u>	<u>Contract Termination</u>
International Association of Firefighters (Local 55)	466	6/30/07
International Brotherhood of Electrical Workers (Local 1245)	24	6/30/08
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	495	6/30/08
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	385	6/30/08
IFPTE, Local 21 (Deputy City Attorneys)	27	6/30/08
Oakland Police Officers Association	718	6/30/06 ⁽¹⁾
Service Employees International Union (Local 790)/full-time	1,414	6/30/08
Service Employees International Union (Local 790)/part-time	1,254	6/30/08
Oakland Park Rangers Association	7	6/30/06 ⁽¹⁾
Deputy City Attorney V & Special Counsel Association	<u>9</u>	6/30/06 ⁽¹⁾
	4,799	

⁽¹⁾ Currently in contract negotiations.

* The City has negotiated the following cost of living adjustments with employee organizations:

- Local 55, increase of 4% on 7/1/06;
- Locals 1245, 21 & 790, increases of 4% each year until contract termination;
- Oakland Police Officers Association, increase of 5% on 1/1/06; and
- Oakland Park Rangers Association, increase of 4% on 7/2/05.

Source: City of Oakland Office of Personnel and Resource Management

Retirement Programs

The City maintains two closed pension systems, the Police and Fire Retirement System (“PFRS”) and the Oakland Municipal Employees Retirement System. In addition, 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.

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven member Board of Trustees (the “Retirement Board”). The PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of June 30, 2006, PFRS covered three current employees and 1,311 retired employees. On December 12, 2000, the voters of the City amended the City Charter to give active members of the Retirement System the option to terminate their membership and transfer to PERS upon certain conditions. As a result, 126 former members transferred to PERS.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the “Tax Override”) on all property within the City subject to taxation by the City to help fund its pension obligations. State law limits the City’s tax rate for this purpose at the rate of 0.1575%, the level at which the City has levied the tax since 1983. The City is allowed to levy the Tax Override through 2026.

In 1997, the City of Oakland issued \$436.3 million in Pension Obligation Bonds, sized to represent the actuarial present value of the City’s expected contributions to PFRS from March of 1997 through June of 2011. PFRS received a deposit of \$417 million from the bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City will not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of \$17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City’s obligation under its Charter to make payments to its police and fire system. The next City contribution to PFRS will be in July of 2011, if necessary, as determined by the actuarial valuation as of July 1, 2010. The City pays debt service on the Pension Obligation Bonds from proceeds of the Tax Override.

In 2001, the City issued \$195.6 million in Pension Obligation Bonds, the proceeds of which were primarily used to purchase at tender for cancellation and to defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City’s Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years; the most recent complete valuation was for the period ended June 30, 2005. PFRS utilizes the aggregate actuarial cost method for its actuarial calculations. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The allocation is performed for the group as a whole, not as a sum of individual allocations. The City’s actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 4.5%, and a general inflation rate of 3.5%.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

The following schedule shows PFRS's recent funding progress.

Table 18
Schedule of Funding Progress
Police and Fire Retirement System (\$Millions)

Valuation Date	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded <u>Liability</u>	Funded <u>Status</u>	Annual Covered <u>Payroll</u> ⁽¹⁾
<u>July 1</u>					
2002	\$875.5	\$674.7	\$200.8	77.1%	\$2.6
2003	890.6	615.1	275.5	69.1%	0.4
2004	890.3	621.6	268.6	69.8%	0.3
2005	883.6	614.9	268.7	69.6%	0.3

⁽¹⁾ Because this is a closed system with few employees, UAAL as a percentage of payroll is not presented

Source: Actuary's Report as of June 30, 2005.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2010 is primarily to track the relationship between the available assets and the estimated liabilities so that the City will be prepared for the necessary contributions, if any, in July of 2011. The Actuary's Report, as of June 30, 2005, contains a projection of the annual contributions necessary beginning in 2011 based on the valuation assumptions. The results of that projection are in the table below.

Table 19
Police and Fire Retirement System
Projection of Future Contributions

	<u>Valuation Assumptions</u>	<u>Unfavorable Experience</u>	<u>Favorable Experience</u>
Investment Return	8.00%	8.00%	8.00%
Wage Growth	4.50%	5.00%	4.00%
Annual City Contribution			
2011-2012 Amount	\$37 million	\$41 million	\$32 million

Source: Actuary's Report as of June 30, 2005.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed 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 80 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, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2005, the actuarially determined surplus was \$5.3 million. During

Fiscal Year 2004-05 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 2004, the City increased its benefits for police 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 per year of employment at age 55. In Fiscal Year 2005, the City increased its benefits for fire safety members to provide 3.0% of highest salary at age 50. 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 2007-08.

Table 20
Contribution Rates
Public Employees Retirement System
City of Oakland

	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08 (Projected)</u>
Miscellaneous Plan	0.00%	15.04%	18.55%	17.48%	17.40%
Safety Plan	25.29%	29.83%	29.71%	27.70%	27.50%

Source: California Public Employees' Retirement System ("PERS")

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 15-year "smoothing" period.

Table 21
Schedule of Funding Progress
Public Employees Retirement System
Public Safety Employees
(\$millions)

Valuation Date <u>July 1</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded <u>Liability</u>	Funded <u>Status</u>	Annual Covered <u>Payroll</u>	UAAL as % of <u>Payroll</u>
2001	\$432.1	\$363.7	\$ 68.4	84.2%	\$92.1	74.2%
2002	563.2	373.7	189.9	66.3	104.0	183.5
2003	631.5	454.7	176.8	72.0	111.0	159.2
2004	730.0	529.4	200.6	72.5	115.4	173.8

Source: PERS.

Table 22
Schedule of Funding Progress
Public Employees Retirement System Miscellaneous Employees
(\$millions)

Valuation Date <u>July 1</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded <u>Liability</u>	Funded <u>Status</u>	Annual Covered <u>Payroll</u>	UAAL as of <u>Payroll</u>
2001	\$ 883.3	\$1,059.6	\$(176.3)	120.0%	\$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
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

Source: PERS.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

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

Table 23
Annual Pension Cost
Public Employees Retirement System
(\$millions)

Fiscal Year Ended	Annual Cost
<u>July 30</u>	<u>July</u>
2000	\$23.6
2001	\$24.0
2002	\$26.9
2003	\$37.0
2004	\$48.4
2005	\$87.4

Source: City of Oakland Comprehensive Annual Financial Reports.

Post-Retirement Health Benefits

The City provides certain post-retirement health insurance benefits to qualifying retired employees. A portion of the health insurance premiums are paid by the City for all retirees from City employment receiving a pension annuity earned through City service and who participate in a City sponsored PERS health benefit plan. These contributions are funded on a pay-as-you-go basis. Approximately \$2.6 million was paid on behalf of 767 retirees under this program during Fiscal Year 2004-05.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments 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. Annual OPEB cost for most local governments will be 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. A local government 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 local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

These disclosure requirements will be effective for the City beginning in Fiscal Year 2007-08. The City will obtain an actuarial valuation of its Post-Employment Health Benefits obligations and plans to work with its actuary to review its liabilities and take appropriate actions to manage the impact.

Natural Hazard Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas Fault, which passes through the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of Oakland. Both the San Francisco and Oakland areas sustained significant damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction, a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes.

A substantial portion of the City is built in partly-wooded hillside areas, which are naturally prone to wildfire. In October, 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in Oakland. The City has established a wildfire prevention assessment district covering portions of the City, which was approved by voters in January 2004, and which finances fire hazard inspections, brush and debris removal, wood chipping and public education.

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, 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 California's most strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace.

As the 19th largest metropolitan economy in the United States¹, 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 – ranked the eighth most educated in the nation.²

All of these factors – combined with great 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.

Housing Developments

Set forth below are a housing program that has been implemented and housing developments that are in various stages of planning, design, approval and development in the City. From time to time, there may be opposition in the form of lawsuits and protests with respect to such uncompleted projects. No assurance is given that any particular project or development will be completed.

¹ U.S. Metro Economies: The Engines of America's Growth, DRI-WEFA, June 2002.

² 2000 U.S. Census.

10K Initiative

- A multi-phase program to develop housing for 10,000 new residents in downtown Oakland by 2006.
- Translates to a target of developing 6,000 new residential units.
- The 10K goal was met in December, 2005.
- Since the initiation of the program in 1999, 19 projects with 1,879 units have been completed, 20 projects with 2,425 units are under construction, 19 additional projects with 2,395 units have planning approval and 26 projects with 3,389 units are in the planning process. With 10,088 units completed or underway, the City has exceeded the 10K goal by 68%.

Oak to Ninth Development³

- A new mixed use development on 64.2 acres.
- Up to 3,100 residential units and 200,000 square feet of ground-floor commercial space, minimum of 3,950 parking spaces.
- 29.9 acres of parks and public open space.
- Projected start date 2008 and completion date, 2018.

Coliseum Transit Village

- Mixed-use, sustainable transit oriented development with 600-800 units of market rate housing.
- 20,000 – 30,000 square feet of neighborhood-serving retail
- Phase 2 environmental assessment completed.

Monte Vista Homes

- 545 residential units under construction.
- 6,000 square foot community center and 10,000 square foot neighborhood-serving retail and commercial.

³ Certain action of the City and the Agency to approve the Preliminary Development Plan for this development has been the subject of two writs of mandates that have been filed and the supporters of an invalidated petition for referendum on the Agency's approval of this development have filed a court action seeking to reinstate the petition. Such court actions might have an unfavorable impact on this development.

Lion Creek Crossings

- New development includes 434 units of affordable rental and 28 units for first-time home buyers.
- 6,000 square foot community center and 10,000 square foot neighborhood-serving retail and commercial.
- Projected date of completion by December 2008.

Mac Arthur Transit Village Project

- 500 – 800 units of housing, 20% below market rate rental, the remainder will be market rate condominiums and 30,000 square feet of retail,
- EIR is currently underway, construction anticipated in 2008.

City Limits and Artisan Walk

- 164 units of ownership housing (122 units in Oakland, 42 in Emeryville).
- The City Limit project is already 100% sold and the Artisan Walk project is expected to be completed later this year.

Commercial and Industrial Development

The City has facilitated a number of major commercial developments throughout the City. Several recent surveys have ranked the City as among the top ten office markets in the nation.

Fruitvale Transit Village

- A mixed-use development opened in May 2004 and offers 47 residential units, 10 affordable units, 38,000 square feet of retail, a child development facility, a medical clinic, and 114,500 square feet of office lease space.
- Project has won several awards, including the 2003 San Francisco Business Times Award and the 2004 Best in American Living Award in the Best Urban Smart Growth Neighborhood category.

Hegenberger Gateway Shopping Center

- \$40 million project on 18 acres with 240,000 square feet of retail space and restaurant space anchored by Wal-Mart and including In-N-Out-Burger and Starbucks.
- Opened in August 2005.

Kaiser Hospital Master Plan

- Includes construction of a new hospital building, parking structures, medical office, and administration buildings.

- 1.78 million square feet of new development is planned. City Council approved the project in June 2006. The first phase of construction is expected to begin in late 2006.

Estuary Cove

- A three-story 26,005 square foot building on a 1.1 acre site that will house new boat showrooms and offices. The expected start date is later this year with completion estimated in 2008.

Champions Coliseum Shopping Center

- 168,000 square feet of proposed retail development that is expected to begin construction later this year. Completion date is expected to be March 2008.

Foothill Square

- Major redevelopment of 13.8 acre site which is expected to include the renovation and expansion of 155,000 square feet to 223,240 square feet of space with approximately 193,000 square feet of commercial retail space and approximately 30,000 square feet of medical office space. 200 residential units and on-site and off-site infrastructure improvements have been proposed for this development. Construction is scheduled to begin in 2007 and is expected to be completed in early 2009.

Population

The Demographic Research Unit of the California Department of Finance estimated the City’s population on January 1, 2006, at 411,755. This figure represents 27.26% of the corresponding County figure and 1.11% of the corresponding State figure. The City’s population has grown over 21% in the twenty-five years since 1980. The following table illustrates the City’s population relative to the population of Alameda County and the State of California.

**Table 24
City of Oakland, County of Alameda and State of California
Population**

<u>Year</u>	<u>City of Oakland</u>	<u>County of Alameda</u>	<u>State of California</u>
1980	339,337	1,109,500	23,782,000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
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	410,330	1,500,228	36,810,000
2006	411,755	1,510,303	37,172,015

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2005 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

Employment

The following table shows the labor patterns in the City, the State of California, and the United States for the past five years.

Table 25
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment⁽¹⁾
June 2002 through June 2006

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
June 2002				
Oakland	202,340	179,780	22,560	11.2
California	17,397,200	16,216,700	1,180,600	6.8
United States	142,476,000	134,053,000	8,423,000	5.9
June 2003				
Oakland	200,650	177,930	22,720	11.3
California	17,486,500	16,288,300	1,198,000	6.9
United States	148,117,000	138,468,000	9,649,000	6.5
June 2004				
Oakland	199,070	180,220	18,850	9.5
California	17,683,000	16,555,400	1,127,900	6.4
United States	148,478,000	139,861,000	8,616,000	5.8
June 2005				
Oakland	200,100	184,300	15,800	7.9
California	17,811,200	16,845,200	965,900	5.4
United States	149,123,000	141,638,000	7,486,000	5.0
June 2006				
Oakland	194,600	180,300	14,300	7.4
California	17,669,200	16,712,800	956,400	5.4
United States	151,321,000	144,363,000	6,957,000	4.60

⁽¹⁾ Civilian labor force data are by place of residence, and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. United States figures as of December of each year.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Commercial Activity

A five-year history of total taxable transactions for the City is shown in the following table.

Table 26
City of Oakland
Taxable Transactions, 2000-2004
(Taxable Transactions in \$000s)

<u>Year</u>	<u>Taxable Transactions</u>
2000	\$3,453,695
2001	3,287,050
2002	3,226,210
2003	3,402,977
2004	3,822,822

Source: State Board of Equalization.

Construction Activity

A five-year history of building permits and valuation (including electrical, plumbing, and mechanical permits) appears in the following table.

Table 27
City of Oakland
Building Permits and Valuations, Fiscal Years 2001-2005

<u>Fiscal Year</u>	<u>Number Issued</u>	<u>Authorized New Dwelling Units</u>	<u>Residential Valuation (in \$000s)</u>	<u>Nonresidential Valuation (in \$000s)</u>
2000-01	16,879	954	138,570	481,635
2001-02	15,805	757	317,792	165,731
2002-03	15,910	930	170,527	260,000
2003-04	16,424	857	268,600	156,699
2004-05	15,942	1,350	356,256	173,292

Source: Comprehensive Annual Financial Report.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Median Household Income

Effective Buying Income (“EBI”) is defined as personal income less personal income tax and non-tax payments, such as fines, fees, or penalties. Median household EBI for the City is shown in the table below.

Table 28
City of Oakland, Alameda County,
State of California and United States of America
Median Household
Effective Buying Income

<u>Year^(a)</u>	<u>City of Oakland</u>	<u>Alameda County</u>	<u>State of California</u>	<u>United States of America</u>
2001	\$38,602	\$50,631	\$44,464	\$39,129
2002	39,567	54,076	43,532	38,365
2003	37,095	49,574	42,484	38,035
2004	37,558	50,431	42,924	38,201
2005	38,517	51,415	43,915	39,324

^(a) As of January 1.

Source: “Survey of Buying Power”, Sales and Marketing Management Magazine.

LITIGATION

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes, except for the Oakland Raiders litigation, discussed below, there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the financial position or results of operation of the City.

Oakland Raiders Litigation. On September 29, 1997, the City, the County of Alameda and the Oakland Alameda County Coliseum Authority (the “Authority”), collectively known as the “East Bay Entities,” filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively “Raider Management”) for breach of contract, declaratory relief and interference with prospective economic advantage.

Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. The Authority prevailed on its declaratory relief claims that the Raiders were contractually obligated to remain in Oakland for the term of the contract. In a series of decisions, the court has ruled that (1) Raider Management cannot rescind or terminate the lease; (2) the East Bay Entities do not have claims for damages and (3) Raider Management does not have claims for damages against the City, the County or the Authority. The court later dismissed the City and the County of Alameda from the case on the basis that Raider Management failed to comply with the California Torts Claims Act.

On March 24, 2003, trial began on Raider Management’s claims for damages of \$1.1 billion for fraudulent inducement against the Oakland-Alameda County Coliseum Authority and one of its former directors. The trial resulted in a \$34,000,000 verdict in favor of Raider Management and against the Authority. The former Authority Director, who the City had agreed to indemnify, was not found liable.

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. The matter was heard and taken under submission on August 22, 2006. It is too early to assess whether the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts. Even then, the litigation may continue for years before the issue of ultimate liability is resolved.

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

**REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

(THIS PAGE INTENTIONALLY LEFT BLANK)

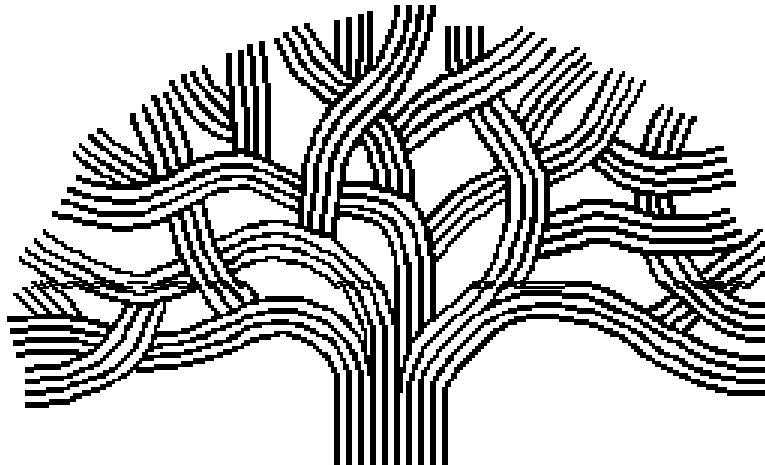
REDEVELOPMENT AGENCY

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, 2005

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

LaRae Brown
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, Assistant Controller

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Frank Catalya
Accountant III (ORA)

Myrna Bangloy
Budget & Operations Analyst III

Eric Parras
Accountant III (OBRA)

Accounting Team (GL, ORA, GRANTS, & OBRA)

Bernadette Bangloy
Connie L. Chu
Edward Chun
Felipe Kiocho

Bruce Levitch
Lani Pallotta
Osborn Solitei
Sandra Tong
Norma Torres

Marilyn Tran
David Warner
Theresa Woo
Andy Yang

CLERICAL SUPPORT

Novette G. Flores, Administrative Assistant

SPECIAL ASSISTANCE

Katano Kasaine
David Jones

Kathleen Larson
Janet An

Donna Treglown
Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Manager's Office

City Attorney's Office
Community & Economic Development Agency

FMA-Treasury Division

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
TABLE OF CONTENTS
June 30, 2005

	PAGE
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances	
Governmental Funds.....	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities	18
Notes to Basic Financial Statements.....	19
Supplementary Financial Information	
Combining Balance Sheet – Nonmajor Governmental Funds.....	47
Combining Statement of Revenues, Expenditures and Changes in Fund	
Balances – Nonmajor Governmental Funds	49
Independent Auditor's Report on Internal Control Over Financial Reporting and	
on Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	50
Schedule of Findings	52

(THIS PAGE INTENTIONALLY LEFT BLANK)



MACIAS GINI & COMPANY^{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX



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

INDEPENDENT AUDITORS' REPORT

To the Members of the Redevelopment Agency
of the City of Oakland, California:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements as listed in the accompanying 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 did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

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 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2005, 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.

As described in Note 2 to the basic financial statements, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, 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.

The management's discussion and analysis, as listed in the accompanying 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.

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
December 2, 2005

Williams, Atley & Company, LLP
Certified Public Accountants

Oakland, California
December 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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, 2005. 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 \$33,018,806 compared to net assets of \$16,448,558 for the previous fiscal year. Assets increased by 19% while liabilities grew by 15% for a net growth in net assets of 101%. The increase was mainly caused by growth in property tax revenues. Note that the beginning net assets for the year ended June 30, 2005 have been restated to reflect an increase of \$12.0 million. See Note (13) in the basic financial statements for more details.
- For the year ended June 30, 2005, the Agency's revenues for governmental activities were \$85,150,695 compared to \$73,046,146 for the prior fiscal year, an increase of \$12,104,549 or 17%. The increase is primarily attributable to the increase in property taxes of \$16.7 million or 31% in the ORA project areas driven by double digit increases in assessed property valuation and investment income of \$3.1 million, offset by a reduction in other revenues of \$6.5 million.
- The Agency's total expenses for the year ended June 30, 2005 were \$68,580,447 compared to \$44,723,496 for the prior year. The increase of \$23,856,951 or 53% is attributed to the increase of \$22.6 million in urban redevelopment and housing project activities in the various ORA project areas, and an increase of \$1.2 million in long term debt interest expense.
- Reported for the first time by the Agency is the Central City East Project Area approved by City Council through Ordinance No. 12528 C.M.S. It is reported as a major fund under the Capital Projects category in the fund financial statements. See Note (1) in the basic financial statements for more details.

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 eleven 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, Low and Moderate Housing Fund, Tax Allocation Debt Fund, and the recently created

Central City East Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

Discretely Presented Component Unit – Oakland Base Reuse Authority

The Oakland Redevelopment Agency basic financial statements incorporate the Oakland Base Reuse Authority as a discretely presented component unit. As such, its activities for the fiscal year are reported in a separate column in the Agency’s government-wide financial statements. See Note (1) in the basic financial statements for more details.

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 19-45 of this report.

Other information. In addition to the basic financial statements and accompanying notes, the combining statements referred to earlier in connection with other nonmajor governmental funds are presented immediately following the footnotes.

Government-wide Financial 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.

**Net Assets
Governmental Activities**

	June 30	
	2005	2004*
Current and other assets	\$ 312,189,470	\$ 238,997,956
Property held for resale	<u>57,737,856</u>	<u>71,500,558</u>
Total assets	<u>369,927,326</u>	<u>310,498,514</u>
Long-term liabilities	319,308,146	279,546,593
Other liabilities	<u>17,600,374</u>	<u>14,503,363</u>
Total liabilities	<u>336,908,520</u>	<u>294,049,956</u>
Net assets/(deficit)		
Restricted for:		
Low and Moderate Housing	38,122,381	-
Urban redevelopment and housing	233,916,862	224,453,079
Unrestricted (deficit)	<u>(239,020,437)</u>	<u>(208,004,521)</u>
Total net assets/(deficit)	<u>\$ 33,018,806</u>	<u>\$ 16,448,558</u>

* Restated

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 \$33,018,806 at the close of the fiscal year ended June 30, 2005.

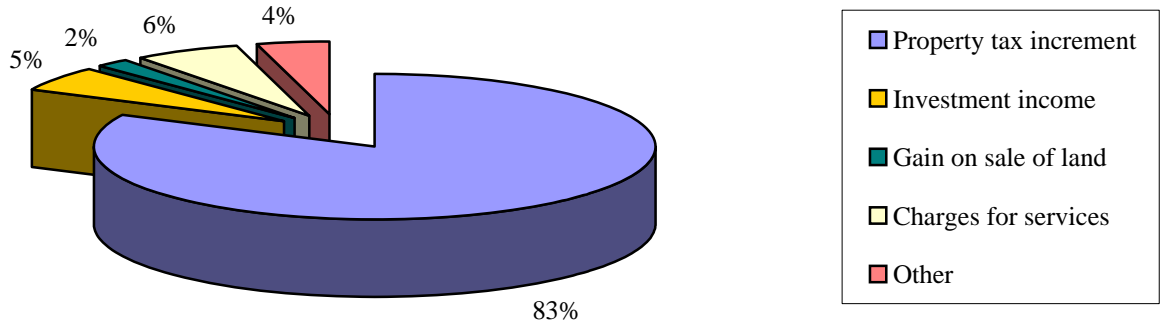
As of the end of the fiscal year, the Agency had restricted net assets of \$272,039,243. These restricted net assets include an investment of \$57,737,856 in Community Development (Property held for resale). The Agency uses Property Held for Resale to provide services to citizens; consequently, these assets are not available for future spending. The remaining balance of the Agency's restricted net assets of \$214,301,387 represents resources that are subject to external restrictions on how they may be used. The Agency's deficit in unrestricted net assets of (\$239,020,437) is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

Governmental activities. Governmental activities increased the Agency's net assets by 101% (\$16,570,248). Key elements of this increase are as follows:

	Changes in Net Assets Governmental Activities	
	June 30	
	2005	2004*
Revenues:		
Program revenues:		
Charges for services	\$ 5,172,980	\$ 5,749,532
General revenues:		
Property tax increment	70,076,503	53,415,706
Investment income	4,580,555	1,469,536
Gain on sale of land	1,664,076	2,284,417
Other	<u>3,656,581</u>	<u>10,126,955</u>
Total revenues	<u>85,150,695</u>	<u>73,046,146</u>
Expenses:		
Urban redevelopment and housing	52,811,520	30,178,725
Interest on long-term debt	<u>15,768,927</u>	<u>14,544,771</u>
Total expenses	<u>68,580,447</u>	<u>44,723,496</u>
Increase in net assets	16,570,248	28,322,650
Net assets/(deficit) beginning of year	<u>16,448,558</u>	<u>(11,874,092)</u>
Net assets end of year	<u>\$33,018,806</u>	<u>\$ 16,448,558</u>

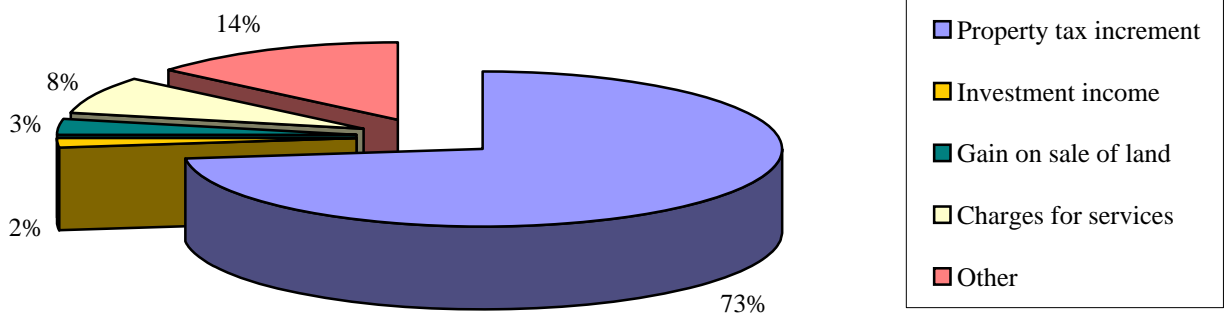
* Restated

**Redevelopment Agency of Oakland
Sources of Revenue
For FY 2004-05**

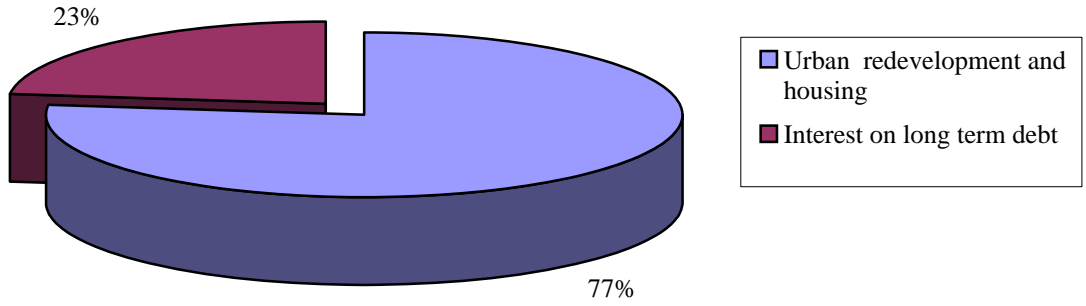


Total Revenues \$85,150,695

**Redevelopment Agency of Oakland
Sources of Revenue
For FY 2003-04**

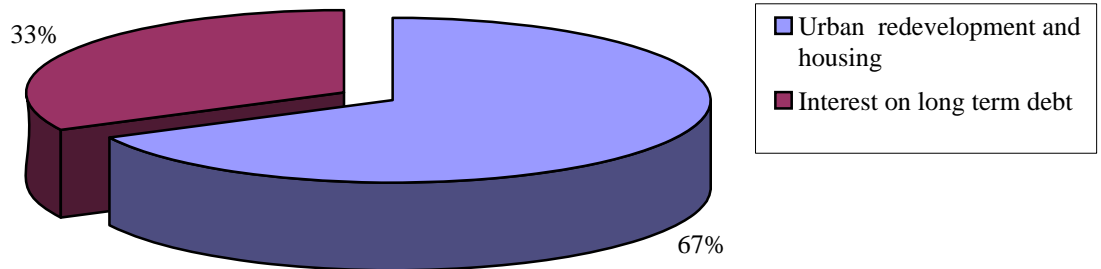


**Redevelopment Agency of Oakland
Functional Expenses
For FY 2004-05**



Total Expenditures \$68,580,447

**Redevelopment Agency of Oakland
Functional Expenses
For FY 2003-04**



Analysis of Changes in Net Assets. The revenues in governmental activities for the Agency exceeded expenses by \$16,570,248 for the year ended June 30, 2005. This represents a decrease in net assets of 41% compared to the prior year's increase in net assets of \$28,322,650.

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function compared to the previous year. Revenues totaled \$85,150,695 while expenses totaled \$68,580,447 for the year ended June 30, 2005 compared to \$73,046,146 and \$44,723,496, respectively, for the year ended June 30, 2004.

Revenues increased compared to the previous fiscal year by \$12,104,549 or 17%. The growth is attributable to property tax increment revenues which increased by \$16,660,797 (31%) due to a strong real estate market driven by double digit enhancement in property values. Increased investment income of \$3,111,019 (212%) is attributed to higher balances in pooled cash and investments and restricted cash with fiscal agents. Significant decreases in revenues are comprised of: (a) \$576,552 (10%) reduction in charges for services due to the sale of the Preservation Park; (b) \$620,341 (27%) reduction in the gain from sale of property held for resale due to a one-time sale of Oakport parcels and a portion of the Preservation Park property offset by the sale of the T-10 site for the year ended June 30, 2004; and (c) the \$6,470,374 (64%) is due to a reduction in other revenues as a result of the inclusion in the prior year of proceeds from the restructuring of 2003 Central District Tax Allocation Refunding Bonds.

Government wide expenses increased by \$23,856,951 or 53% is primarily attributable to the increase of \$22,632,795 in urban redevelopment and housing activities in the various ORA redevelopment project areas and \$1,224,156 in long-term debt interest expenses.

Financial Analysis of the Agency's Funds

The Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus on the Agency's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Agency include Capital Projects and Debt Service.

As of June 30, 2005, the Agency's governmental funds reported combined ending fund balances of \$271,314,406, a net increase of 27% or (\$57,396,371) compared to the prior year's restated ending fund balance. The net increase is represented by: (1) a 31% (\$16,466,141) increase in property tax increment collections attributed to improved property valuations in the redevelopment project areas; (2) unspent proceeds from the issuance of the Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 2005 in the amount of \$44,360,000 for development projects; and (3) increase in investment income of 212% or (\$3,111,019) due to the maintenance of higher cash balances in pooled cash and investments and restricted cash with fiscal agents for future redevelopment and housing activities. The combined fund balances of \$271,314,406 are distributed as follows: 63% for the Central District Project

area; 14% for the Low Moderate Housing Project area; 12% for the Coliseum Project area; 2% for the Central City East Project area; and 10% for other Redevelopment Project areas.

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 does not have any Capital Assets. However, OBRA, its discretely presented component unit shows depreciable capital assets of \$490,211 as of June 30, 2005.

Long-term debt. At June 30, 2005, the Agency had total long-term debt outstanding of \$319,308,146, an increase of 14% over the previous fiscal year. The increase was primarily due to the issuance of Tax Allocation Series 2005 Bonds to finance redevelopment and housing activities in the Central District Project area through fiscal year 2007.

Bond Ratings

The Agency’s bond ratings at June 30, 2005 are as follows:

	Insured By	Rating	Balance Outstanding
Tax allocation	FGIC/MBIA/AMBAC	AAA/Aaa/A-*	\$ 233,090,000
Housing set-aside revenue bonds	MBIA	AAA/AAA/Aaa	36,645,000
General obligation bonds	N/A	Not rated	<u>350,000</u>
Total			<u>\$ 270,085,000</u>

*Coliseum Area Redevelopment Tax Allocation Bonds Series 2003 totaling \$22,700,000 are not insured and have an A rating. All ratings were done by Fitch, Standard & Poor’s and Moody’s Investors Service.

Long-term liabilities at June 30, 2005, are comprised of the following:

	FY 2005	FY 2004
Tax allocation bonds payable	\$ 233,090,000	\$ 197,095,000
Housing set-aside revenue bonds	36,645,000	38,070,000
General obligation bonds	<u>350,000</u>	<u>390,000</u>

SUBTOTAL	270,085,000	235,555,000
Deferred amounts, net	10,506,607	7,975,006
Uptown remediation costs	4,085,600	
Advances from City of Oakland	<u>34,630,939</u>	<u>36,016,587</u>
TOTAL	<u>\$319,308,146</u>	<u>\$279,546,593</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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2005

	<u>Oakland Redevelopment Agency</u>	<u>Component Unit Oakland Base Reuse Authority</u>
ASSETS		
Cash	\$ 19,000	\$ -
Pooled cash and investments	129,123,448	6,059,996
Tax increment receivable	1,186,540	-
Accrued interest receivable	411,089	-
Receivables, (net of allowance for uncollectibles of \$579,025 for the component unit)		
Accounts receivable	373,234	713,949
Grants receivable	-	168,165
Due from City	31,125,433	-
Due from other government	4,898,268	-
Notes receivable, (net of allowance for uncollectible accounts of \$1,077,492)	51,350,979	-
Property held for resale	57,737,856	89,408,216
Restricted cash and investments with fiscal agent	89,528,181	-
Restricted cash in bank and investments	272,813	8,931,685
Capital assets		
Facilities and equipment, net of depreciation	-	490,211
Deferred charge - bond issuance costs	<u>3,900,485</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 369,927,326</u>	<u>\$ 105,772,222</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2005

	<u>Oakland Redevelopment Agency</u>	<u>Component Unit Oakland Base Reuse Authority</u>
(Continued)		
LIABILITIES		
Accounts payable	\$ -	\$ 853,278
Accrued interest payable	5,350,473	-
Accrued liabilities	8,182,861	157,341
Due to City	3,473,115	2,934,540
Due to other government	213,280	76,713
Deferred revenue and credits	-	89,635
Deposits	348,364	713,548
Other liabilities	32,281	-
Workforce Development Collaborative	-	3,600,000
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year	16,329,005	-
Due in more than one year	302,979,141	7,495,235
TOTAL LIABILITIES	<u>336,908,520</u>	<u>15,920,290</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	-	490,211
Restricted for:		
Low and Moderate Housing	38,122,381	-
Urban redevelopment projects and housing	233,916,862	83,301,725
Unrestricted (deficit)	<u>(239,020,437)</u>	<u>6,059,996</u>
TOTAL NET ASSETS	<u>\$ 33,018,806</u>	<u>\$ 89,851,932</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Activities
For the year ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Component Unit Oakland Base Reuse Authority</u>
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>		
Governmental Activities:					
Urban redevelopment and housing	\$ 52,811,520	\$ 5,172,980	\$ -	\$ (47,638,540)	\$ -
Interest on long-term debt	<u>15,768,927</u>	<u>-</u>	<u>-</u>	<u>(15,768,927)</u>	<u>-</u>
Total governmental activities	<u>\$ 68,580,447</u>	<u>\$ 5,172,980</u>	<u>\$ -</u>	<u>(63,407,467)</u>	<u>-</u>
Component Unit					
Oakland Base Reuse Authority	<u>\$ 7,880,740</u>	<u>\$ 7,956,838</u>	<u>\$ 1,061,687</u>		<u>1,137,785</u>
General Revenues:					
Property tax increment				70,076,503	-
Investment income				4,580,555	248,697
Gain on the sale of land				1,664,076	-
Other				<u>3,656,581</u>	<u>202,606</u>
Total general revenues				<u>79,977,715</u>	<u>451,303</u>
Change in net assets				16,570,248	1,589,088
Net assets at beginning of year (as restated)				<u>16,448,558</u>	<u>88,262,844</u>
Net assets at end of year				<u>\$ 33,018,806</u>	<u>\$ 89,851,932</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2005

	Capital Projects				Nonmajor Governmental Funds	Debt Service	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing		Tax Allocation Debt	
ASSETS							
Cash	\$ -	\$ 18,900	\$ -	\$ -	\$ 100	\$ -	\$ 19,000
Equity in pooled cash and investments	51,772,591	23,689,145	5,987,484	27,612,533	19,352,780	708,915	129,123,448
Tax increment receivable	604,807	290,801	143,797	-	147,135	-	1,186,540
Accrued interest receivable	35,590	-	-	233	375,266	-	411,089
Accounts receivable	328,886	-	-	-	44,348	-	373,234
Due from City	29,082,587	-	-	1,688,542	354,304	-	31,125,433
Due from other government	4,892,095	6,173	-	-	-	-	4,898,268
Notes receivable, net	8,033,935	-	-	40,481,885	2,835,159	-	51,350,979
Property held for resale	49,700,879	-	-	-	8,036,977	-	57,737,856
Restricted cash and investments							
with fiscal agent	64,748,219	13,127,716	-	11,108,078	-	544,168	89,528,181
Restricted cash in bank	39,390	-	-	-	233,423	-	272,813
TOTAL ASSETS	<u>\$209,238,979</u>	<u>\$37,132,735</u>	<u>\$6,131,281</u>	<u>\$80,891,271</u>	<u>\$ 31,379,492</u>	<u>\$ 1,253,083</u>	<u>\$366,026,841</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2005

	Capital Projects					Debt Service	
	Central District	Coliseum	Central City East	Low and Moderate Housing	Nonmajor Governmental Funds	Tax Allocation Debt	Total Governmental Funds
(Continued)							
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,272,829	\$ 1,272,829
Accrued liabilities	398,686	4,436,374	1,692,821	133,146	1,521,834	-	8,182,861
Due to City	1,658,305	823,064	58,471	461,034	404,619	67,622	3,473,115
Due to other government	213,280	-	-	-	-	-	213,280
Deposits	306,300	-	-	4,284	37,780	-	348,364
Deferred revenue	36,819,876	290,801	143,797	42,170,426	1,764,805	-	81,189,705
Other liabilities	1,000	-	-	-	31,281	-	32,281
TOTAL LIABILITIES	<u>39,397,447</u>	<u>5,550,239</u>	<u>1,895,089</u>	<u>42,768,890</u>	<u>3,760,319</u>	<u>1,340,451</u>	<u>94,712,435</u>
FUND BALANCES							
Reserved for property held for resale	49,700,879	-	-	-	8,036,977	-	57,737,856
Reserved for approved capital projects/activities	120,140,653	31,582,496	4,236,192	38,122,381	18,030,553	-	212,112,275
Unreserved	-	-	-	-	1,551,643	(87,368)	1,464,275
TOTAL FUND BALANCES	<u>169,841,532</u>	<u>31,582,496</u>	<u>4,236,192</u>	<u>38,122,381</u>	<u>27,619,173</u>	<u>(87,368)</u>	<u>271,314,406</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$209,238,979</u>	<u>\$37,132,735</u>	<u>\$6,131,281</u>	<u>\$80,891,271</u>	<u>\$ 31,379,492</u>	<u>\$ 1,253,083</u>	

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

Long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,900,485
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	81,189,705
Long-term liabilities, including bonds payable, accrued interest and unamortized bond premiums, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(323,385,790)</u>
Net assets of governmental activities	<u>\$ 33,018,806</u>

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
For the year ended June 30, 2005

	Capital Projects					Debt Service	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Nonmajor Governmental Funds	Tax Allocation Debt	
REVENUES							
Tax increment	\$ 35,576,875	\$ 17,105,953	\$8,458,667	\$ -	\$ 8,655,084	\$ -	\$ 69,796,579
Interest on restricted cash and investments	610,816	290,275	-	220,831	-	12,466	1,134,388
Interest on pooled cash and investments	1,231,940	547,493	47,851	630,750	481,031	29,292	2,968,357
Interest on notes receivable	101,304	-	-	369,478	7,028	-	477,810
Rents and reimbursements	3,196,944	-	-	-	1,976,036	-	5,172,980
Gain from sale of property held for resale	1,664,076	-	-	-	-	-	1,664,076
Other	273,416	-	-	2,146,437	123,680	-	2,543,533
TOTAL REVENUES	<u>42,655,371</u>	<u>17,943,721</u>	<u>8,506,518</u>	<u>3,367,496</u>	<u>11,242,859</u>	<u>41,758</u>	<u>83,757,723</u>
EXPENDITURES							
Current:							
Urban redevelopment and housing	14,642,244	10,210,921	2,155,659	12,078,086	6,709,814	-	45,796,724
Debt Service:							
Payment on advances	-	-	-	-	-	2,554,132	2,554,132
Retirement of long-term debt	-	-	-	-	-	9,830,000	9,830,000
Interest	-	-	-	-	-	14,885,996	14,885,996
Bond issuance costs	1,241,071	-	-	-	-	-	1,241,071
TOTAL EXPENDITURES	<u>15,883,315</u>	<u>10,210,921</u>	<u>2,155,659</u>	<u>12,078,086</u>	<u>6,709,814</u>	<u>27,270,128</u>	<u>74,307,923</u>
Excess (deficiency) of revenues over expenditures	26,772,056	7,732,800	6,350,859	(8,710,590)	4,533,045	(27,228,370)	9,449,800
OTHER FINANCING SOURCES (USES)							
Tax allocation bonds issued	44,360,000	-	-	-	-	-	44,360,000
Proceeds from advances	-	-	-	-	200,000	-	200,000
Premium on bonds issued	3,386,571	-	-	-	-	-	3,386,571
Transfers in	350,000	-	-	17,449,145	943,539	26,899,582	45,642,266
Transfers out	(27,374,172)	(7,534,198)	(2,114,667)	(4,732,746)	(3,886,483)	-	(45,642,266)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,722,399</u>	<u>(7,534,198)</u>	<u>(2,114,667)</u>	<u>12,716,399</u>	<u>(2,742,944)</u>	<u>26,899,582</u>	<u>47,946,571</u>
Change in fund balances	47,494,455	198,602	4,236,192	4,005,809	1,790,101	(328,788)	57,396,371
Fund balances at beginning of year	122,347,077	31,383,894	-	34,116,572	25,829,072	241,420	213,918,035
FUND BALANCES AT END OF YEAR	<u>\$ 169,841,532</u>	<u>\$ 31,582,496</u>	<u>\$ 4,236,192</u>	<u>\$ 38,122,381</u>	<u>\$ 27,619,173</u>	<u>\$ (87,368)</u>	<u>\$ 271,314,406</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Governmental Funds
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
For the year ended June 30, 2005

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

Net change in fund balances - total governmental funds	\$ 57,396,371
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	279,925
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.	(38,822,217)
Changes in accrued interest on bonds payable	(667,682)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed, thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	<u>(1,616,149)</u>
Change in net assets of governmental activities	<u>\$ 16,570,248</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(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;
- 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 these 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 projects: 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 Projects (Oak Center; Stanford/Adeline; and Oak Knoll). Oak Center completed planning for infrastructure improvements that will be completed in FY2005-06. Stanford/Adeline purchased a duplex to improve a blighted site and encourage homeownership. On December 21, 2004, the Agency board adopted Ordinance numbers 12642 C.M.S. and 12645 C.M.S., which extended the time limit on the effectiveness of the Redevelopment Plans for Oak Center and Stanford/Adeline to 2012 and 2016; respectively.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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.

Central City East Project Area

The Oakland City Council adopted Ordinance No. 12528 C.M.S. on July 29, 2003, adopting the Redevelopment Plan for the Central City East Redevelopment Project which conforms to the General Plan of the City of Oakland and in accordance with the California Community Redevelopment Law. The purpose and intent of the Council with respect to the Central City East Redevelopment Project is to accomplish the following:

- Stimulate in-fill development and land assembly opportunities on obsolete, underutilized and vacant properties in the Project area.
- Stimulate opportunities for adaptive re-use and preservation of existing building stock in the Project Area.
- Attract new businesses and retain existing businesses in the Project Area, providing job training and employment opportunities for Project Area residents.
- Improve transportation, open space, parking, and other public facilities and infrastructure throughout the Project Area.
- Stimulate home ownership opportunities in the Project Area.
- Improve the quality of the residential environment by assisting in new construction, rehabilitation and conservation of living units in the Project Area, including units affordable to low and moderate income households.
- Revitalize neighborhood commercial areas and strengthen retail in the Project Area.

Except as specifically exempted herein, the Agency may acquire, but is not required to acquire, any real property located in the Project Area by any means authorized by law, including eminent domain. The Agency is authorized to acquire structures without acquiring the land upon which those structures are located. The Agency is authorized to acquire either the entire fee or any other interest in real property less than a fee. In addition, the Agency is authorized to sell, lease, exchange, subdivide, transfer, assign, pledge, encumber by mortgage or deed of trust or otherwise dispose of any interest in real property as permitted by law.

The Agency is authorized to finance this Project with financial assistance from the City, State of California, federal government, tax increment funds, interest income, Agency bonds, donations, loans from private financial institutions, the lease or sale of Agency-owned property or any other available source, public or private.

The amount of the total bonded indebtedness for the Project supported in whole or in part with tax increment revenues that may be outstanding at any one time shall not exceed \$2,300,000,000.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

While City Council approved the establishment of the Central City East Project Area in July 29, 2003, there were no financial activities to be reported prior to the fiscal year that ended June 30, 2005.

Discretely Presented Component Unit

The Oakland Base Reuse Authority (OBRA) was established in 1995 as a Joint Powers Authority (JPA) by the City; Agency, and the County of Alameda (County). OBRA was established to assure the effective transition of military facilities in Oakland that have been or may be selected for closure. OBRA currently is assuming the effective transition of the Oakland Army Base (OARB) to the Agency and the Port of Oakland (Port), a discretely presented component unit of the City.

OBRA was governed until June 30, 2003 by a nine-member Governing Body, which consisted of the Mayor of Oakland, four other members of the Oakland City Council, the Mayor of the City of Alameda, the member of the County Board of Supervisors representing the Third District, the member of the United States House of Representatives representing California's Ninth Congressional District, and the Executive Director of the Association of Bay Area Governments. Effective July 1, 2003, the governing body amended the JPA agreement, which among other things, reduced the members to the Mayor of Oakland/Board Chairman and four other members of the Oakland City Council/Board of Directors. In the event the JPA agreement is terminated for any reason, any and all remaining rights, powers and authority together with any property funds or assets of OBRA under the agreement shall be assigned by OBRA to the Agency.

The votes of a majority of the governing body are required to take action on most matters. In addition, prior to July 1, 2003, the majority vote of the governing body required three votes from the members from the City to take action on certain specific issues, including the adoption of a Reuse Plan; adoption of any recommended plan or land use proposal in contradiction to Oakland's land use plan, redevelopment or zoning plan; delegation of any authority to another body by OBRA; adoption of any amendments to OBRA's Bylaws; termination of the JPA Agreement; and selection of the governing body's Chairperson. The revised Joint Powers Agreement requires OBRA to deposit its revenues in the City treasury. The City is responsible for investing and managing such funds. The OBRA is presented in a separate column in the government-wide financial statements as a discretely-presented component unit of the Agency. Copies of OBRA's complete financial statements may be obtained from the Accounting Division, Finance & Management Agency, City of Oakland, 150 Frank Ogawa Plaza, Suite 6353, Oakland, CA 94612.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements (the statement of net assets and the statement of activities) report all the activities of the Agency and its discretely presented component unit. 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 claims 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. All other revenues are considered to be measurable and available only when the Agency receives the cash.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

OBRA, the Agency's discretely presented component unit, is accounted for using proprietary fund accounting, and its financial statements are prepared on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred. Grants are recognized as revenue when all eligibility requirements have been met.

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.

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 Agency board respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds. 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.

Tax Allocation 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.

Revenues for Discretely Presented Component Unit

Rental revenue, in general, is recognized when due from tenants. Direct costs of negotiating and consummating a lease are deferred and amortized over the initial term of the related lease. Rental revenue is not accrued when a tenant vacates the premises and ceases to make rent payments or files for bankruptcy.

Utilities revenues are recorded when the services are provided to leases.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Investments

Adoption of GASB Statement No. 40, Deposit and Investment Risk Disclosures

The Agency and OBRA have adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, effective July 1, 2004. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the governmental, proprietary and fiduciary funds. These resources are necessary for the delivery of governmental services and programs, or to carry out fiduciary responsibilities. Some key changes with GASB 40 include disclosure of:

- Common deposit and investment risks related to credit risk;
- Concentration of credit risk;
- Interest rate risk;
- Investments that have fair values that are highly sensitive to changes in interest rates; and
- Deposit and investment policies related to those risks.

The Agency's and OBRA's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2005, and reflects the values as if the entities 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 with Fiscal Agents

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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Restricted Cash in Bank and Investments

Rental revenues received from the University of California Office of the President (UCOP), Ice Rink, Preservation Park facilities, Rotunda parking lot 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 and OBRA'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 and OBRA, generate rental or operating income. This income is recognized as it is earned in the Agency's and OBRA'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 and OBRA do not depreciate property held for resale, as it is the intention of the Agency and OBRA to only hold the property for a short period of time until it can be resold for development.

Capital Assets

Capital assets are stated at historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of transfer. 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 structures	3 to 40 years
Furniture and fixtures	3 to 10 years
Infrastructure	3 to 5 years

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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 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 reservation 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 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.

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Assets

The governmental funds balance sheet includes a reconciliation between fund balances – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the (\$323,385,790) reconciling item are as follows:

Long-term debt	\$ (319,308,146)
Accrued interest payable	<u>(4,077,644)</u>
Net adjustment to decrease fund balances – total governmental funds to arrive at net assets of governmental activities	<u>\$ (323,385,790)</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental funds statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation states that the issuance of long-term debt (e.g., bonds, advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of the (\$38,822,217) reconciling item are as follows:

Debt issued or incurred:	
Principal issuance	\$ (44,360,000)
Proceeds from advances	(200,000)
Other payments due to City	(200,000)
Premium on bonds issuance	(3,386,571)
Bond issuance costs	1,241,070
Uptown Remediation Costs	(4,085,600)
Accrued interest on advances	(768,484)
Payments:	
Retirement of long-term debt	9,830,000
Payment on advances	2,554,132
Amortization of premium on bond issuance	1,063,478
Amortization of bond issuance costs	(301,734)
Amortization of deferred amount of refunding loss	<u>(208,508)</u>
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (38,822,217)</u>

Another element of that reconciliation states that Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities. The details of this (\$1,616,149) reconciling item is as follows:

Net decrease in notes receivable	\$ (6,500,117)
Net increase in long-term pass through loans	<u>4,883,968</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,616,149)</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(4) 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 classified in the governmental funds balance sheet as equity in pooled cash and investments.

The Agency's cash and investments consist of the following at June 30, 2005:

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$129,142,448
Restricted cash and investments	<u>89,800,994</u>
Total cash and investments	<u>\$218,943,442</u>

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 City'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. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2005 basic financial statements. A copy of that report may be obtained by contacting the City's Finance & Management Agency, 150 Frank H. Ogawa Plaza, 6th Floor, Oakland, CA 94612 or can be found at the City's Finance & Management Agency Web Site at <http://www.oaklandnet.com/>. As of June 30, 2005, the Agency's cash and investment pool totaled \$129,142,448.

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, 2005 the Agency's investment in LAIF is \$42,084,633 (\$17.8 million in pooled cash and investments and \$24.3 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% 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 City's position in the pool.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

The City adopted the Government Accounting Standards Board (GASB) Statement No. 40 effective June 30, 2005 for its annual financial statements. The objective of this Statement is to update custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including custodial credit risk, concentration of credit risk, financial credit risk, and interest rate risk. Listed below is a brief description of each risk and how to mitigate each type of risk.

Custodial Credit Risk:

The Agency's investment policy states that uninsured deposits shall be collateralized in the manner prescribed by State law. The amounts placed on deposit with banks were covered by federal depository insurance or were collateralized by the pledging financial institutions as required by Section 53652 of the California Government Code. Such collateral is held by the pledging financial institutions' trust department or agent in the Agency's name.

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 prequalify financial institutions, diversify its portfolio and by establishing 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, 2005.

Pooled Cash and Investments

Ratings as of Fiscal Year Ended June 30, 2005

	<u>Fair Value</u>	<u>AAA</u>	<u>A / A-1+ / A-</u>	<u>F-1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 71,060,446	\$ 71,060,446	\$ -	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	9,947,999	-	9,947,999	-	-
Money Market Funds	20,583,620	20,583,620	-	-	-
LAIF	17,801,537	-	-	-	17,801,537
Commercial Paper	8,976,109	-	-	8,976,109	-
City Pooled Cash	753,737	-	-	-	753,737
Total	\$ 129,123,448	\$ 91,644,066	\$ 9,947,999	\$ 8,976,109	\$18,555,274

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Restricted Investments

	Fair Value	Ratings as of Fiscal Year Ended June 30, 2005		
		AAA	Aa/AA-	Not Rated
Investment Agreement	\$ 11,611,286	\$ -	\$11,611,286	\$ -
Investment Agreement	46,076,912	46,076,912	-	-
Money Market Funds	7,556,887	7,556,887	-	-
LAIF	24,283,096	-	-	24,283,096
Total	\$ 89,528,181	\$53,633,799	\$11,611,286	\$ 24,283,096

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 any one issuer to no more than five percent of the total portfolio. However, the same policy stipulates that investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement. At June 30, 2005, the Agency has investment agreements with AIG Funding Co. and FSA Capital Management in the amounts of \$11,611,286 (5.3% of portfolio) and \$46,076,912 (21.1% of portfolio) respectively.

The following table shows the diversification of the Agency's portfolio:

Pooled Cash and Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	\$71,060,446	55.04%
U.S. Govt. Ag. Security Disc.	9,947,999	7.70%
Money Market Funds	20,583,620	15.94%
LAIF	17,801,537	13.79%
Commercial Paper	8,976,109	6.95%
City Pooled Cash	753,737	0.58%
TOTAL	\$129,123,448	100.00%

Restricted Investments

	Fair Value	% of Portfolio
Investment Agreement	\$11,611,286	12.97%
Investment Agreement	46,076,912	51.48%
Money Market Funds	7,556,887	8.44%
LAIF	24,283,096	27.11%
TOTAL	\$ 89,528,181	100.00%

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 478 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2005, the Agency had the following investments and original maturities:

Pooled Cash and Investments

	Fair Value	Interest Rates (%)	Maturity		
			12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	\$71,060,446	3.52 – 4.39	\$ 13,008,578	\$37,031,631	\$21,020,237
U.S. Govt. Ag. Security Disc.	9,947,999	3.26 – 3.28	9,947,999	-	-
Money Market Funds	20,583,620	2.97	20,583,620	-	-
LAIF	17,801,537	2.85	17,801,537	-	-
Commercial Paper	8,976,109	3.31 – 5.78	8,976,109	-	-
City Pooled Cash	753,737	N/A	753,737	-	-
TOTAL	\$129,123,448		\$71,071,580	\$37,031,631	\$21,020,237

Restricted Investments

	Fair Value	Interest Rates (%)	Maturity		
			12 Months or Less	1-3 Years	3-5 Years
Investment Agreement	\$11,611,286	3.62	\$ -	\$11,611,286	\$ -
Investment Agreement	46,076,912	3.91	-	-	46,076,912
Money Market Funds	7,556,887	2.89	7,556,887	-	-
LAIF	24,283,096	2.97	24,283,096	-	-
TOTAL	\$89,528,181		\$31,839,983	\$11,611,286	\$46,076,912

Restricted Investments in the Capital Projects and 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, 2005, the amounts held by the trustees aggregated \$89,528,181 of which \$87,679,141 is available to be used for restricted projects and \$1,849,040 is held in reserve accounts. All restricted investments held by trustees as of June 30, 2005 were invested in investment agreements, money market mutual funds and LAIF, and were in compliance with the bond indentures.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2005

Total Agency cash and investments as of June 30, 2005, are as follows:

	Equity in Pooled Cash and Investments	Restricted Cash and Investments With Fiscal Agent	Restricted Cash in Bank	Total Governmental Funds
Central District	\$ 51,772,591	\$ 64,748,219	\$ 39,390	\$ 116,560,200
Coliseum	23,708,045	13,127,716	—	36,835,761
Central City East	5,987,484	—	—	5,987,484
Low and moderate housing	27,612,533	11,108,078	—	38,720,611
Tax allocation debt	708,915	544,168	—	1,253,083
Nonmajor governmental funds	<u>19,352,880</u>	<u>—</u>	<u>233,423</u>	<u>19,586,303</u>
TOTAL	<u>\$129,142,448</u>	<u>\$ 89,528,181</u>	<u>\$ 272,813</u>	<u>\$218,943,442</u>

Discretely Presented Component Unit

Oakland Base Reuse Authority

Cash and investments at June 30, 2005 consisted of the following:

	<u>Fair Value</u>
Unrestricted investments	<u>\$ 6,059,996</u>
Restricted:	
Cash on hand	200
Deposits	7,361,179
Investments	<u>1,570,486</u>
	<u>\$ 8,931,865</u>
 Total	 <u>\$14,991,861</u>

Deposits

At June 30, 2005, the carrying amount of the Authority's deposits was \$7,361,179 and the bank balance was \$5,111,199. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, \$100,000 was FDIC insured and \$5,011,199 was collateralized with securities held by the pledging financial institution in the Authority's name, in accordance with Section 53652 of the California Government Code.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. The collateral must be held by the pledging financial institution's trust department and is considered held in OBRA's name.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Investments

OBRA's Governing Body has adopted the same investment policy as adopted by the Oakland City Council. Accordingly, all cash and investments are invested in accordance with this policy.

Investments consisted of the following fair value at June 30, 2005:

	Effective	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Duration</u>
Money Market funds		\$ 6,059,996	Unrated	0
Escrow deposit		2,250,000	Unrated	0
Deposits with banks		5,111,379	Unrated	0
State Local Agency Investment Fund		<u>1,570,486</u>	Unrated	0
Total cash and investment		<u>\$14,991,861</u>		

At June 30, 2005, the OBRA's investment in LAIF is \$1,570,486. The total amount invested by all public agencies in LAIF at that date is approximately \$18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% 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 OBRA's position in the pool.

(5) 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, 2005, follows:

	<u>Central District</u>	<u>Low and Moderate Housing</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Housing development projects	\$ —	\$ 40,677,264	\$ 577,000	\$41,254,264
Development loans	8,000,000	—	1,947,060	9,947,060
Small business loans	<u>916,048</u>	<u>—</u>	<u>311,099</u>	<u>1,227,147</u>
Gross notes receivables	8,916,048	40,677,264	2,835,159	52,428,471
Less: Allowance for uncollectible accounts	<u>(882,113)</u>	<u>(195,379)</u>	<u>—</u>	<u>(1,077,492)</u>
Net notes receivable	<u>\$ 8,033,935</u>	<u>\$ 40,481,885</u>	<u>\$ 2,835,159</u>	<u>\$51,350,979</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2005

(6) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows:

	<u>July 1, 2004</u>	<u>Purchases</u>	<u>Sales</u>	<u>June 30, 2005</u>
Property held for resale	<u>\$71,500,558</u>	<u>\$2,818,000</u>	<u>\$ (16,580,702)</u>	<u>\$57,737,856</u>

The increase in the Property held for resale represents the 135 public parking spaces repurchased by the Agency from the developer of the SNK 9th and Franklin Garage. These parking spaces were required to replace the surface parking that was on the site prior to the Agency's sale of the property to the developer in Fiscal Year 2004.

The decrease of \$16,580,702 corresponds to the properties that the Agency sold in Fiscal Year 2005 including four properties sold at a loss of \$1.4 million. These include properties that will be renovated for commercial retail and office spaces, developed into residential condominium units and to continue to be operated as a non-profit office park.

Discretely Presented Component Unit

Oakland Base Reuse Authority

Following is a summary of changes in property held for resale:

	<u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
Property held for resale	<u>\$79,778,363</u>	<u>\$11,761,818</u>	<u>\$ (2,131,965)</u>	<u>\$89,408,216</u>

In September 1, 2004, OBRA purchased certain parcels of land with an aggregate area of 19.32 acres adjacent to the former OARB (Oakland Army Base) for a total of \$10.6 million. Immediately after purchasing this property, OBRA transferred 2.51 acres to the Port for total consideration of \$1.427 million. Additionally, approximately \$1.2 million in environmental remediation costs incurred during the fiscal year ended June 30, 2005 have been added to property held for resale.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(7) INTERFUND TRANSFERS

	Transfers In				Total Governmental Funds
	Central District	Low and Moderate Housing	Tax Allocation Debt	Nonmajor Governmental Funds	
Transfers out:					
Central District	\$ —	\$ 8,894,218	\$ 18,479,954	\$ —	\$ 27,374,172
Coliseum	—	4,276,488	2,434,171	823,539	7,534,198
Central City East		2,114,667			2,114,667
Low and Moderate Housing	350,000	—	4,382,746	—	4,732,746
Nonmajor Governmental Funds	<u>—</u>	<u>2,163,772</u>	<u>1,602,711</u>	<u>120,000</u>	<u>3,886,483</u>
TOTAL	<u>\$ 350,000</u>	<u>\$ 17,449,145</u>	<u>\$ 26,899,582</u>	<u>\$ 943,539</u>	<u>\$ 45,642,266</u>

The Central District, Coliseum, Low & Moderate Housing, and Nonmajor Governmental funds transferred funds to the Tax Allocation 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 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 \$823,539 to Nonmajor Governmental funds from the Coliseum fund represents the 10% school set aside based from tax increments received in the Coliseum project area, net of the housing set aside and the AB1290 mandatory pass through. The transfer from the Low and Moderate Housing Fund to Central District Fund is for repayment of Henry Robinson Multi Service Center as provided in the adopted budget for fiscal year 2005. The transfer of \$120,000 between the Nonmajor Governmental funds is for professional contracts and other services for the proposed merger of the Central City East and Oak Knoll Redevelopment Project Areas.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS

Discretely Presented Component

Oakland Base Reuse Authority

Oakland Base Reuse Authority's capital assets as of June 30, 2005 and capital asset activity for the year then ended consisted only of capital assets being depreciated. Capital asset activity during the year ended June 30, 2005 consisted of the following:

	<u>July 1, 2004</u>	<u>Increases</u>	<u>June 30, 2005</u>
Capital assets, being depreciated:			
Facilities and structures	\$1,000,000	\$ —	\$1,000,000
Furniture and equipment	<u>456,011</u>	<u>1,600</u>	<u>457,611</u>
Total capital assets, being depreciated	<u>1,456,011</u>	<u>1,600</u>	<u>1,457,611</u>
Less accumulated depreciation for:			
Facilities and structures	(314,286)	(342,857)	(657,143)
Furniture and equipment	<u>(164,502)</u>	<u>(145,755)</u>	<u>(310,257)</u>
Total accumulated depreciation	<u>(478,788)</u>	<u>(488,612)</u>	<u>(967,400)</u>
Total capital assets, being depreciated, net	<u>\$ 977,223</u>	<u>\$(487,012)</u>	<u>\$490,211</u>

(9) LONG-TERM DEBT

General Long-Term Obligations

On January 1, 2003, the Agency defeased various bond issues namely, the Central District Redevelopment Project Area Tax Allocation Bonds, Series 1989A, the Subordinated Tax Allocation Refunding Bonds, Series 1992A, the Subordinated Tax Allocation Bonds, Series 1993A, and the Subordinated Tax Allocation Bonds, Series 1995A. These defeased bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. For financial reporting purposes, the 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 \$42.3 million at June 30, 2005.

On February 5, 2005, the Agency issued its \$44.3M Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 Bonds. The original issue premium on the financing was \$3.3M and the proceeds were used to finance various redevelopment activities within the Central District Project Area including the following: property acquisition to facilitate residential and commercial development downtown, environmental remediation, parking garage expansion, renovation, and maintenance of public

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

facilities such as the Fox Theater, and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005 Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency-sponsored public capital projects for Fiscal Years 2005 through 2007.

Long-term liability activity for the year ended June 30, 2005, was as follows:

	July 1, 2004	Additions	Deductions	June 30, 2005	Due within One Year
Tax Allocation Bonds	\$ 197,095,000	\$ 44,360,000	\$ (8,365,000)	\$ 233,090,000	\$ 8,755,000
Housing Set-Aside Revenue Bonds	38,070,000	—	(1,425,000)	36,645,000	1,530,000
General Obligation Bond	<u>390,000</u>	<u>—</u>	<u>(40,000)</u>	<u>350,000</u>	<u>40,000</u>
Total Bonds Payable	235,555,000	44,360,000	(9,830,000)	270,085,000	10,325,000
Deferred amounts:					
Issuance premiums	10,132,984	3,386,571	(1,063,478)	12,456,077	1,063,478
Refunding loss	<u>(2,157,978)</u>	<u>—</u>	<u>208,508</u>	<u>(1,949,470)</u>	<u>(208,508)</u>
Subtotal	243,530,006	47,746,571	(10,684,970)	280,591,607	11,179,970
Uptown remediation costs		4,085,600		4,085,600	3,999,404
Advances from City of Oakland	<u>36,016,587</u>	<u>1,168,484</u>	<u>(2,554,132)</u>	<u>34,630,939</u>	<u>1,149,631</u>
TOTAL	<u>\$ 279,546,593</u>	<u>\$ 53,000,655</u>	<u>\$ (13,239,102)</u>	<u>\$ 319,308,146</u>	<u>\$ 16,329,005</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2005

General Long-Term Obligations consist of the following:

	Year Ending June 30, 2005 Balance at Maturity	Interest Rates	June 30, 2005
TAX ALLOCATION BONDS			
Acorn Refunding Series 1988			
Term bonds	2006-2007	7.40%	\$ <u>715,000</u>
Central District Senior Tax Allocation			
Refunding Series 1992:			
Serial bonds	2006-2008	6.00%	16,455,000
Term bonds	2009-2014	5.50%	<u>35,910,000</u>
			<u>52,365,000</u>
Central District Subordinated Tax			
Allocation Bonds Series 2003:			
Serial bonds	2006	3.00%	2,870,000
Serial bonds	2007-2009	4.00%	9,245,000
Serial bonds	2010-2012	5.00%	12,970,000
Serial bonds	2013-2020	5.50%	<u>87,865,000</u>
			<u>112,950,000</u>
Central District Subordinated Tax			
Allocation Bonds Series 2005:			
Serial bonds	2006-2022	5.00%	44,360,000
Coliseum Area Tax			
Allocation Bonds Series 2003:			
Term bonds	2006-2009	2.50%-4.00%	1,660,000
Term bonds	2010-2014	3.40%-4.30%	2,440,000
Term bonds	2015-2019	4.50%-4.90%	3,035,000
Term bonds	2020-2023	5.00%-5.125%	3,045,000
Term bonds	2028-2034	5.25%	<u>12,520,000</u>
			<u>22,700,000</u>
TOTAL TAX ALLOCATION BONDS			233,090,000
GENERAL OBLIGATION BOND-Tribune Tower	2006-2012	5.643%	350,000
SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS			
Series 2000T:			
Term bonds	2006-2011	7.82%	11,160,000
Term bonds	2012-2016	7.93%	14,065,000
Term bonds	2017-2019	8.03%	<u>11,420,000</u>
TOTAL SUBORDINATED HOUSING SET-ASIDE REVENUE BONDS			<u>36,645,000</u>
TOTAL BONDS PAYABLE			<u>\$270,085,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2005 the total outstanding balance was \$34,630,939, comprised of the following:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2005</u>	<u>Due within One Year</u>
Acorn	\$ 2,970,000	\$ —	\$ (328,648)	\$ 2,641,352	\$ 97,574
Central District	18,585,935	200,000	(437,051)	18,348,884	505,907
Coliseum	928,554	—	(928,554)	—	—
Oak Center	13,117,098	768,484	(800,000)	13,085,582	478,897
Stanford/Adeline	415,000	—	(59,879)	355,121	59,810
West Oakland	—	200,000	—	200,000	7,443
TOTAL	<u>\$ 36,016,587</u>	<u>\$ 1,168,484</u>	<u>\$ (2,554,132)</u>	<u>\$ 34,630,939</u>	<u>\$ 1,149,631</u>

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

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, 2005.

Year ending June 30,	Governmental Activities	
	Principal	Interest
2006	\$ 10,325,000	13,859,860
2007	10,920,000	14,518,854
2008	11,165,000	13,892,298
2009	11,775,000	13,255,405
2010	11,130,000	13,154,497
2011-2015	66,020,000	50,913,970
2016-2020	89,530,000	28,129,758
2021-2025	48,475,000	6,777,346
2026-2030	5,340,000	2,149,088
2031-2034	<u>5,405,000</u>	<u>586,293</u>
TOTAL	<u>\$270,085,000</u>	<u>\$157,237,369</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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, 2005, there were two series of certificates outstanding with an aggregate principal amount payable of \$21,426,798. 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.

OAKLAND BASE REUSE AUTHORITY

Note Payable

OBRA has a non-interest bearing note payable for \$8,200,000, which has been discounted at the rate of 3.37% to a principal amount of \$7,495,235. The discounting resulted in the reduction of \$704,765 against Property Held for Resale. In addition, OBRA accrued interest expense of \$156,553 for the year ended June 30, 2005 related to above liability.

Principal and interest payments are due on the following dates:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
November 17, 2006	\$ 1,481,909	\$ 518,091	\$ 2,000,000
May 17, 2007	2,898,675	101,325	3,000,000
November 17, 2007	2,147,518	52,482	2,200,000
November 17, 2008	<u>967,133</u>	<u>32,867</u>	<u>1,000,000</u>
	<u>\$ 7,495,235</u>	<u>\$ 704,765</u>	<u>\$ 8,200,000</u>

The note payable is collateralized by 19.32 acres of property described in Note 6. Payments are applied first to any expenses in connection with the Note before the principal is reduced. There are no prepayment penalties and the Note is not assumable.

Notes payable activity for the year ended June 30, 2005 consisted of the following:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>
Note Payable	<u>\$ -</u>	<u>\$ 7,495,235</u>	<u>\$ -</u>	<u>\$ 7,495,235</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(10) 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 represents reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2005, the Agency reimbursed the City \$13,045,474 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 \$4,021,793 for the fiscal year ended June 30, 2005; \$2,554,132 in principal and \$1,467,661 in interest.

(11) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2005, the Agency has entered into contractual commitments of approximately \$3,630,167 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, 2005, the Agency was committed to fund \$19,879,936 in loans and had issued \$1,648,600 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.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal years 2005-06 and 2006-07, the Agency included in its Adopted Budgets an ERAF shift a total of \$9,560,838. In May 2005 the Agency paid \$4,706,825 to Alameda County for the fiscal year 2004-05 ERAF shift.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Oakland Renaissance NMTC, Inc.

On July 19, 2004, the Oakland Redevelopment Agency approved resolution #2005-0046 C.M.S. authorizing the Agency Administrator to execute a Disposition and Development Agreement (DDA) and related documents with Oakland Renaissance NMTC, Inc., a California non-profit corporation, for the development of the Fox Theater as a mixed-use entertainment, office and school development. The Agency also approved and appropriated the following financial assistance to Renaissance for development of the project: (1) a Redevelopment Agency loan of \$13,000,000, of which \$3,000,000 is currently authorized for predevelopment and \$10,000,000 will not be available until the Agency Board reviews the construction contracts, theater operating agreement and school lease (these requirements will probably not be met until March 2006); (2) transfer of \$4,985,000 of State of California Proposition 55 School Facilities Grant funds; (3) transfer of \$2,885,500 of State of California Proposition 40 California Historic Endowment Grant funds; (4) transfer of \$1,300,000 insurance proceeds the Agency expected to receive from fire damage to the Fox theater pending final resolution with the insurance company, and (5) transfer of a \$375,000 California Heritage Fund Grant from the State of California Office of Historic Preservation.

Oakland Base Reuse Authority

Environmental Remediation

Land conveyed to OBRA from the Army 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 is responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA has received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, \$5.0 million has been received.

The next \$11.5 million of environmental remediation costs are to be shared equally by OBRA and the Port. 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 additional environmental remediation-related costs. OBRA and the Port have agreed to share equally in any environmental remediation-related costs above \$21.0 million that are not covered by insurance. OBRA management 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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Oakland Army Base Workforce Development Collaborative

Under a separate agreement between the Authority and the Port dated July 31, 2003, the two parties each agreed to pay fifty percent (50%) of certain EDC property-related acquisition and remediation costs. Accordingly, the Authority has recorded a \$5,400,000 payable to reflect its share of the total \$10,800,000 payable.

As of June 30, 2005, the Authority's share of the remaining liability to the Workforce Collaborative is \$3,600,000. The Authority has set aside in escrow \$2,250,000 on behalf of the Workforce Collaborative.

Lease Revenues

OBRA entered into a Master Lease with the Army on June 16, 1999 to lease approximately 366 acres plus related facilities and improvements at the OARB (the "Leased Premises") for the period that commenced on June 19, 1999 and ended on August 7, 2003. OBRA had no minimum lease payments for the use of the Leased Premises, but was responsible for its operation and maintenance for the benefit of the United States and the general public. OBRA sub-leased certain of the Leased Premises to various tenants for terms ranging from one month to four years. All of these subleases expired on August 7, 2003, when the OARB was conveyed to OBRA.

Tenants with subleases immediately prior to the conveyance entered into new leases with OBRA on August 7, 2003. The longest term of these leases is from August 7, 2003 to 90 days prior to the reconveyance of the property, with the reconveyance date currently set at August 6, 2006. All of OBRA's lease revenues for the year ended June 30, 2005 are from the lease/sub-lease of these properties, facilities and improvements.

OBRA entered into operating leases with members of the Oakland Army Base Workforce Development Collaborative ("Workforce Collaborative") on December 14, 2004 in which the members occupy certain buildings on the former OARB property and pay OBRA no minimum payments throughout the lease terms, which are retroactive to January 1, 2003 and expire on various dates through August 2005. Accordingly, OBRA has not recognized any minimum lease payment revenues from these leases since December 31, 2002.

The following are the estimated minimum future rental revenues for the years after June 30, 2005 under non-cancelable operating leases having an initial term in excess of one year.

<u>Year Ending</u>	
June 30, 2006	<u>\$ 2,378,787</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2005

(12) SUBSEQUENT EVENT

Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A

On October 28, 2005, the Redevelopment Agency of the City of Oakland (the "Agency") issued \$160,000,000 of Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A ("2005 Bonds"). The Agency acted as a conduit issuer to provide funds to make a loan to Uptown Housing Partners, L.P., a California limited partnership, in order to finance, along with certain other amounts, the construction, and equipping of the multifamily rental housing development located in Oakland, California (the "Project"). A portion of the units in the Project will be reserved for low-income tenants. The 2005 Bonds, set to mature on October 1, 2050, were issued as a private placement with an effective interest rate of 6.20%. The 2005 Bonds do not constitute an indebtedness of the Agency as they were issued as a conduit financing; neither the full faith and credit nor taxing authority of the Agency, State of California, or any political subdivision is obligated for the payment of the principal or interest on the 2005 Bonds. The 2005 Bonds are payable solely from revenue sources and receipts defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indenture.

(13) RESTATEMENT OF NET ASSETS

The Agency's net assets at the beginning of the year ended June 30, 2005 have been restated to record a note receivable (the Note) due from a developer. On October 20, 1999, the Agency sold property to a developer in exchange for a Note, to be repaid in the future. The Note is related to a downtown redevelopment project and the collection is contingent upon its economic success. The Note is deemed to be collectible and there has been no provision made for uncollectability. The restatement is considered a correction of an error and only affects the government-wide financial statements, as deferred revenue has been used to offset the Note in the governmental funds. Net assets of the Governmental Activities were restated as follows:

Total net assets at June 30, 2004, as previously reported	\$ 4,448,558
Adjustment for reclassified note receivable	<u>12,000,000</u>
Total net assets at July 1, 2004, as restated	<u>\$16,448,558</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Acorn	Broadway/ MacArthur	Oakland Army Base	West Oakland	Other Projects	Redevelopment Planning Fund/ West Oakland	Total Nonmajor Governmental Funds
ASSETS							
Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 100
Equity in pooled cash and investments	982,050	2,146,671	3,156,856	1,109,914	10,397,281	1,560,008	19,352,780
Tax increment receivable	19,726	33,637	52,714	21,298	19,760	-	147,135
Accrued interest receivable	-	-	-	-	375,266	-	375,266
Accounts receivable, net	30,000	-	-	-	14,348	-	44,348
Due from primary government	-	-	-	-	-	354,304	354,304
Notes receivable, net	60,000	-	-	-	2,700,159	75,000	2,835,159
Property held for resale	2,970,000	-	-	-	5,066,977	-	8,036,977
Restricted cash in bank	-	-	-	-	233,423	-	233,423
TOTAL ASSETS	\$ 4,061,776	\$ 2,180,308	\$ 3,209,570	\$ 1,131,212	\$ 18,807,214	\$ 1,989,412	\$ 31,379,492

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	<u>Acorn</u>	<u>Broadway/ MacArthur</u>	<u>Oakland Army Base</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund/ West Oakland</u>	<u>Total Nonmajor Governmental Funds</u>
(Continued)							
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accrued liabilities	\$ -	\$ 451,731	\$ 620,165	\$ 250,566	\$ 197,188	\$ 2,184	\$ 1,521,834
Due to primary government	30,273	\$ 93,529	-	219,299	61,518	-	404,619
Deposits	12,250	25,000	-	-	530	-	37,780
Deferred revenue	79,726	33,637	52,714	21,298	1,148,126	429,304	1,764,805
Other liabilities	-	-	-	-	25,000	6,281	31,281
TOTAL LIABILITIES	<u>122,249</u>	<u>603,897</u>	<u>672,879</u>	<u>491,163</u>	<u>1,432,362</u>	<u>437,769</u>	<u>3,760,319</u>
FUND BALANCES							
Reserved for property held for resale	2,970,000	-	-	-	5,066,977	-	8,036,977
Reserved for approved capital projects/activities	969,527	1,576,411	2,536,691	640,049	12,307,875	-	18,030,553
Unreserved	-	-	-	-	-	1,551,643	1,551,643
TOTAL FUND BALANCES	<u>3,939,527</u>	<u>1,576,411</u>	<u>2,536,691</u>	<u>640,049</u>	<u>17,374,852</u>	<u>1,551,643</u>	<u>27,619,173</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,061,776</u>	<u>\$ 2,180,308</u>	<u>\$ 3,209,570</u>	<u>\$ 1,131,212</u>	<u>\$ 18,807,214</u>	<u>\$ 1,989,412</u>	<u>\$ 31,379,492</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2005

	<u>Acorn</u>	<u>Broadway/ MacArthur</u>	<u>Oakland Army Base</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES							
Tax increment	\$ 1,160,368	\$ 1,978,675	\$ 3,100,823	\$ 1,252,830	\$ 1,162,388	\$ -	\$ 8,655,084
Interest on pooled cash and investments	48,543	41,162	49,387	7,393	290,290	44,256	481,031
Interest on notes receivable	-	-	-	-	7,028	-	7,028
Rents and reimbursements	-	-	-	-	1,976,036	-	1,976,036
Other	59,651	-	-	-	64,029	-	123,680
TOTAL REVENUES	<u>1,268,562</u>	<u>2,019,837</u>	<u>3,150,210</u>	<u>1,260,223</u>	<u>3,499,771</u>	<u>44,256</u>	<u>11,242,859</u>
EXPENDITURES							
Current:							
Urban redevelopment and housing	370,717	964,140	780,624	506,966	4,009,798	77,569	6,709,814
TOTAL EXPENDITURES	<u>370,717</u>	<u>964,140</u>	<u>780,624</u>	<u>506,966</u>	<u>4,009,798</u>	<u>77,569</u>	<u>6,709,814</u>
Excess (deficiency) of revenues over expenditures	897,845	1,055,697	2,369,586	753,257	(510,027)	(33,313)	4,533,045
OTHER FINANCING SOURCES (USES)							
Proceeds from advances	-	-	-	200,000	-	-	200,000
Transfers in	-	-	-	-	823,539	120,000	943,539
Transfers out	(1,530,137)	(494,669)	(775,206)	(313,208)	(773,263)	-	(3,886,483)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,530,137)</u>	<u>(494,669)</u>	<u>(775,206)</u>	<u>(113,208)</u>	<u>50,276</u>	<u>120,000</u>	<u>(2,742,944)</u>
Change in fund balance	(632,292)	561,028	1,594,380	640,049	(459,751)	86,687	1,790,101
Fund balances at beginning of year	<u>4,571,819</u>	<u>1,015,383</u>	<u>942,311</u>	<u>-</u>	<u>17,834,603</u>	<u>1,464,956</u>	<u>25,829,072</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,939,527</u>	<u>\$ 1,576,411</u>	<u>\$ 2,536,691</u>	<u>\$ 640,049</u>	<u>\$ 17,374,852</u>	<u>\$ 1,551,643</u>	<u>\$ 27,619,173</u>



MACIAS GINI & COMPANY^{LLP}

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX



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

**INDEPENDENT AUDITOR'S 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***

To the Members of the Redevelopment Agency
of the City of Oakland, California:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (Agency) as of and for the year ended June 30, 2005, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 2, 2005. Our report on the basic financial statements was modified to indicate that the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. 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. We did not audit the financial statements of the Oakland Base Reuse Authority, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by Agency staff in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 that are required to be reported under *Government Auditing Standards*. However, the results of our tests did disclose an instance of noncompliance that is required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies*, which is described in the accompanying schedule of findings as finding no. 05-1.

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

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
December 2, 2005

Williams, Adley & Company, LLP
Certified Public Accountants

Oakland, California
December 2, 2005

Redevelopment Agency of the City of Oakland
Schedule of Findings
June 30, 2005

Finding No. 05-1: State Redevelopment Agency Compliance Requirements - Financial Disclosure and Reporting (Submission of Reports to State Controller)

Pursuant to California Health & Safety Code, Section 33080.1, the Agency is required to submit the following reports to its legislative body and the State Controller no later than six months following the end of its previous fiscal year:

- Independent Auditors' Report on Financial Statements
- Independent Auditors' Report on Legal Compliance

The identified reports were not filed in a timely manner.

Recommendation

We recommend that the Agency establish policies and procedures to ensure that all required reports are prepared and submitted in a timely manner.

Management's Response

The delay in submitting the Agency's fiscal year 2003-04 reports listed above in a timely manner was due to the incorporation of the Oakland Base Reuse Authority (OBRA) into the Agency's basic financial statements for the first time as a discretely presented component unit. OBRA's year-end audit did not conclude in a timely manner last year.

APPENDIX C
REPORT OF THE FISCAL CONSULTANT

(THIS PAGE INTENTIONALLY LEFT BLANK)

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

CENTRAL DISTRICT REDEVELOPMENT PROJECT

**Subordinated Tax Allocation Bonds, Series 2006T
(Federally Taxable)**

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

October 23, 2006

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 2006T (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 Area) and the territory added by the Twelfth Amendment (herein referred to as the Annex). Taken together the Original Area and the Annex 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 \$107,110,000 and Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 currently outstanding in the amount of

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

\$44,360,000. 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
2006-07	\$40,602	\$ 8,120	\$353	\$1,868	\$30,260
2007-08	41,875	8,375	364	2,137	30,999
2008-09	42,669	8,534	371	2,306	31,457
2009-10	42,477	8,695	378	2,478	31,925
2010-11	44,301	8,860	385	2,653	32,402
2011-12	45,141	9,028	393	2,831	32,889
2012-13	45,998	9,200	400	42	36,356
2013-14	46,871	9,374	408	45	37,044
2014-15	47,761	9,552	416	48	37,745
2015-16	48,668	9,734	423	51	38,461

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 and amended it by Ordinance No. 10822 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. The Plan was subsequently 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 Added Area). The parcels within the territory that was added by this amendment were, at that time, all owned by state and federal governmental agencies. The Annex was adopted on July 24, 2001 and added an additional 14.86 acres of new territory to the Plan. The Annex was eligible to receive tax

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.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

increment revenue for the first time in fiscal year 2002-03; however, no assessed value was reported for Annex 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 2004-05. The land use categories are based on the lien date tax roll for Fiscal Year 2004-05. 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	2,511	\$936,855,881	26.23%
Commercial	1,240	\$1,993,039,984	55.81%
Industrial	329	\$178,896,517	5.01%
Recreational	35	\$2,533,528	0.07%
Institutional	45	\$10,483,843	0.29%
Vacant	131	\$109,723,871	3.07%
Exempt	189	\$0	0.00%
Secured Non-Unitary Utilities		\$1,915,588	0.05%
Unsecured		<u>\$337,796,267</u>	<u>9.46%</u>
Total Value:	4,480	\$3,571,245,479	100.00%

Both the Original Area and the Annex contain a number of vacant parcels. The Original Area's 116 vacant parcels total 18.02 acres in size according to information supplied by the Assessor on the tax rolls. The tax rolls list a total of 0.97 acres for Annex's 15 vacant parcels.

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.

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 of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 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 Area. The total amount of tax increment revenue generated by the 1982 Added Area since 2000-01 is approximately \$1,741,000. This amount is 0.4% of the total revenue allocated to the combined Original and 1982 Added Areas.

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 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 Area. As indicated above, the tax increment limit for the 1982 Added Area is \$75 million. According to Agency and County records, through Fiscal Year 2005-06, the Agency has been allocated \$473,669,667 of tax increment revenue within the Original Area. This is inclusive of those small amounts that may have been allocated from properties within the 1982 Added Area. Based on the projection of revenues over the life of the Original Area, its tax increment limit will not be reached before the last date to repay debt from tax increment revenue. If, however, the Original Area sustains assessed value growth above 4% per year it will reach the tax increment limit before reaching the last date to repay indebtedness.

The Annex 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

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 2005-06
Original Area	June 12, 2012	Eliminated	June 12, 2022	\$1,348,862,000 ²	\$473,669,667
Annex	July 24, 2032	July 24, 2021	July 24, 2047	No Limit	N/A

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 eleven fiscal years beginning with 1996-97 (see Table 3).

Since 1996-97, the Original Area has steadily added assessed value. The 2006-07 values are over \$1.81 billion higher than the values for 1996-97. This growth has been substantially the result of increases in assessed value on the secured tax roll. Unsecured assessed values have increased since 1996-97 by \$63,046,838 (23.1%) despite significant reductions in unsecured improvement values in 2000-01. Secured values have increased over this same period by \$1,745,449,307 (119.57%). Improvement value on the secured tax roll has led the way by increasing \$1,387,797,612 (113.8%) since 1996-97. The information outlined above is based on the lien date tax rolls as provided by the Alameda County Assessor.

The Annex 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 Annex 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 Annex. The assessed values within the Annex 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

² This limit does not include the \$75 million tax increment limit that applies to the revenues from the 1982 Added Area.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

other parcels in the Annex partially offset these reductions in value. The Annex experienced modest growth in assessed value for 2006-07 with an increase in value of \$1,311,985 (4.55%).

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Project Area for Fiscal Year 2006-07 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 Annex 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 \$206,539,501 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 \$946,425,694 that is 29.27% of the total secured taxable value. The combined unsecured taxable value of the top ten taxpayers totals \$30,388,145 or 9.00% of the Project Area's total unsecured taxable value. The top ten taxpayer taxable secured and unsecured value together total \$976,813,839 or 27.35% 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 31.5% of the secured incremental value, 11.04% of the unsecured incremental value and 29.78% 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 2006-07 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

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 the Agency from Supplemental Assessments from 2000-01 through 2005-06 are shown in Table D below.

**Table D
Historical Supplemental Revenue**

<u>Fiscal Year</u>	<u>Supplemental Revenue</u>
2000-01	\$ 549,262
2001-02	\$1,233,722
2002-03	\$1,929,904
2003-04	\$1,389,760
2004-05	\$ 982,902
2005-06	<u>\$2,543,046</u>
Total:	\$8,574,597

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)

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 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. Because the 2006-07 secured tax rates are not yet available, the projections are based on the 2005-06 secured tax rates. The 2006-07 unsecured tax rate is properly the 2005-06 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 2006-07 revenues are as follows:

Table E		
2005-06 Secured Tax Rate		
		Termination Date
General Levy	1.0000	
Oakland U.S.D. EC 16090	.0001	2012
East Bay Regional Park 1	.0057	2020
EBMUD Special District 1	.0072	2015
City of Oakland	.1575	2026
Total RDA Eligible Tax Rate:	1.1705	
 <u>Non-RDA Eligible Tax Rates</u>		
Oakland U.S.D. Bonds	.0666	
Peralta Community College Dist.	.0208	
City of Oakland	.0474	
Total Tax Rate:	1.3053	

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. The Oakland Unified School District EC 16090 bonds will be retired and will no longer exist after Fiscal Year 2011-12. 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.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 Annex and no assessment appeals have been filed in the Annex since 2003-04. Since Fiscal Year 2000-01 there have been 372 assessment appeals filed within the Original Area. Of the appeals filed, 142 assessment appeals (47.81%) have been allowed with a reduction in value, 155 assessment appeals (52.19%) have been denied, and 75 assessment appeals remain pending as of July 14, 2006, the last date for which we have data from Alameda County. The pending appeals have a combined assessed value of \$427,944,510 under appeal and include assessment appeals of value for 2000-01 through 2005-06. 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 17.13%.

Among the Project Area's top ten taxpayers, Kaiser Foundation Health Plan Inc., Clorox Company, SSR Western Multifamily LLC and US Property Fund III GMBH & Company have currently pending appeals. 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.	2003-04	44,623,262	19,603,564	56.07%
Clorox Company	2004-05	8,146,385	5,500,000	32.48%
	2005-06	7,912,277	6,000,000	24.17%
	2005-06	165,068	100,000	39.42%
	2005-06	3,794,537	2,500,000	34.12%
SSR Western Multifamily LLC	2003-04	16,137,400	0	Unknown
	2003-04	27,994,300	0	Unknown
	2003-04	16,655,700	0	Unknown
US Property Fund III GMBH Co.	2003-04	44,595,289	0	Unknown

Based on historical averages within the Original Area, we estimate that 36 of the currently pending appeals will be allowed with a reduction in value and that the total reduction in value will be \$35,053,476. Within the projection, we have estimated that this reduction in value will

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

affect the assessed value for fiscal year 2007-08. This estimated loss in assessed value represents approximately 0.96% of the projected \$3,658,770,209 assessed value for the Project Area for 2007-08. 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	372	142	155	75
% of Resolved Appeals		47.81%	52.199%	
Average Reduction		(17.13%)		
Appealed Value Pending				\$427,944,510
Est. No. Allowed				36
Est. Value Reduction				\$35,053,342

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 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 Annex 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 Area from 2000-01 through 2005-06 is shown in Table H below.

**Table D
Historical Unitary Revenue**

<u>Fiscal Year</u>	<u>Unitary Revenue</u>
2000-01	\$ 2,815,093
2001-02	\$ 2,873,553
2002-03	\$ 4,064,379
2003-04	\$ 2,347,743
2004-05	\$ 3,225,070
2005-06	\$ 2,206,520
Total:	\$17,532,359

The projection assumes that the annual amount of unitary revenue to be allocated to the Original Area will continue to be the same as the amount that was allocated for 2005-06.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 2004-05, the amount of the County collection charge attributed to the Project Area was \$347,411, which was 0.87% of the Project Area's 2005-06 Gross Revenues. The Auditor-Controller has not yet established the County Collection Charge for 2006-07. 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 2005-06.

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 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 Annex.

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 Area in accordance with the requirements of the adoptive resolution. We have not projected the 5 percent additional set-aside as being withheld for Annex due to the question of whether it will meet the 1.2 percent coverage requirement of Resolution No. 01-85 C.M.S.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 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 Area. This amendment did not affect the Annex.

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 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.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

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 Commission 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 Area and the Annex 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 may be made from any available funds other than the Housing Fund. If an agency is unable to make a payment, it may borrow up to 50 percent of the current year housing set-aside amount, however, the borrowed amount must be repaid to the Housing Fund within 10 years of the last ERAF payment (May 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 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 Annex.

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

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
October 23, 2006**

payment obligations under Section 33607.5 of the Law. ERAF payments were subordinate to new and existing repayment obligations for bonded indebtedness.

In addition to the ERAF provisions described above, the Agency cannot predict whether the State Legislature will enact any other legislation requiring additional or increased future shifts of tax increment revenues to the State and/or to schools, whether through an arrangement similar to ERAF or by other arrangements, and, if so, the effect on future Tax Revenues. The State budget was, however, adopted for 2006-07 with no ERAF obligations from state redevelopment agencies.

VII. Tax Sharing 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 Area, the Agency is obligated to make statutory tax sharing payments pursuant 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 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 fiscal year within which the Original Area's redevelopment plan activities terminate. As a result, for the final ten years that the Original Area is permitted to repay indebtedness with tax revenue, there will be no statutory tax sharing payment requirement. The second and third tiers of statutory tax sharing payments required by Section 33607.7 will not be initiated before the termination of the redevelopment plan activities.

Within the Annex, pursuant to Section 33607.5 of the Law statutory tax sharing payments began in 2003-04, the first year that the Annex received Tax Increment Revenue. The Agency is obligated to pay all taxing entities on a prorated basis 25% of the revenue generated by the Annex'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 Annex'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 2032-33 and using the sub-area's 2031-32 assessed values as a base value, the Agency will additionally be obligated to pay the taxing entities 14% of the revenue generated by the Annex's annual third tier of incremental value net of the Housing Set-Aside Requirement.

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 Annex was adopted after this section of the Law was repealed. This decision does not, therefore, impact the Project Area.

Seal Beach Decision

In a Minute Order issued on November 2, 2001 in County of Orange v. Orange County Assessment Appeals Board No. 3, case no. 00CC03385, the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in all California counties, including Alameda County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values.

The Superior Court ruling was appealed by the Orange County Assessor and oral arguments before Division 3 of the 4th District Court of Appeals in Santa Ana were heard on January 7, 2004. On March 26, 2004, the Fourth Appellate District of the of the Court of Appeal of the State of California ruled that under Proposition 13 the base year of real property on which the inflation factor is figured remains the original purchase price or assessment at the time of new construction even though the taxable value may be reduced by general deflation or natural disaster. On May 5, 2004, the respondent filed a petition to the California Supreme Court for review of the decision published by the Court of Appeal. On July 21, 2004, the California Supreme Court denied the petition to review the decision by the Court of Appeal. This action concluded the legal review of this case.

IX. New Development

Substantial additional value will be added to the values for Fiscal Year 2007-08 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, 2006 lien date and September 15, 2006. The amount added to the Project Area valuation for 2007-08 is \$43,016,388. This includes 95 transferred properties of various types.

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 four 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.

HdL Coren & Cone make 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 activity and environmental conditions such as hazardous substances that are not anticipated in this report might also impact property taxes and Tax Increment Revenue.

HdL Coren & Cone makes no representation that taxable values will actually grow at the rate projected. 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 Redevelopment Agency
Central District Redevelopment Project**

10/23/06

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

Table 1

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Taxable Values (1)										
Real Property (2)	3,388,266	3,499,047	3,569,028	3,640,409	3,713,217	3,787,481	3,863,231	3,940,496	4,019,305	4,099,692
Personal Property (3)	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>	<u>182,980</u>
Total Projected Value	3,571,245	3,682,027	3,752,008	3,823,389	3,896,197	3,970,461	4,046,211	4,123,475	4,202,285	4,282,671
Taxable Value over Base	291,021	3,280,224	3,391,006	3,460,987	3,532,367	3,605,176	3,679,440	3,755,190	3,832,454	3,911,264
Gross Tax Increment Revenue (4)	38,395	39,669	40,462	41,271	42,095	42,935	43,791	44,664	45,554	46,462
Unitary Tax Revenue (5)	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>	<u>2,207</u>
Gross Revenues	40,602	41,875	42,669	43,477	44,301	45,141	45,998	46,871	47,761	48,668
LESS:										
SB 2557 Admin. Fee (6)	(353)	(364)	(371)	(378)	(385)	(393)	(400)	(408)	(416)	(423)
Housing Set Aside Requirement (7)	(8,120)	(8,375)	(8,534)	(8,695)	(8,860)	(9,028)	(9,200)	(9,374)	(9,552)	(9,734)
Tier 1 Passthrough to All Taxing Entities (8)	(1,868)	(2,137)	(2,306)	(2,478)	(2,653)	(2,831)	(42)	(44)	(45)	(47)
Tier 2 Passthrough to All Taxing Entities (8)	0	0	0	0	0	0	0	(1)	(3)	(4)
Tier 3 Passthrough to All Taxing Entities (8)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Tax Revenues	30,260	30,999	31,457	31,925	32,402	32,889	36,356	37,044	37,745	38,461
Added Housing Set-Aside (7)	(2,030)	(2,094)	(2,133)	(2,174)	(2,215)	(2,257)	(2,300)	(2,344)	(2,388)	(2,433)
Net Tax Revenue	28,230	28,905	29,324	29,751	30,187	30,632	34,056	34,700	35,357	36,027

- (1) Taxable values as reported by Alameda County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually and for new development (See Table 5). Assessed values for 2007-08 are reduced by \$35,053,476 for estimated losses from pending assessment appeals.
- (3) Personal property is held constant at 2006-07 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 \$1.1632 per \$100 over 10 years and remain at that amount through 2019-20 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 is held constant at 2005-06 level.
- (6) County Administration fee is estimated at 0.87% 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 on the Bonds.
- (8) For the Original Project the last date to incur new debt was established as January 1, 2004 by Ordinance No. 11762 CMS and was eliminated pursuant to Ordinance No. 12570 CMS. The elimination of this limit triggers the initiation of statutory tax sharing. Beginning in fiscal year 2004-05 taxing entities began to receive their shares of 25% of the revenue derived from the incremental difference in value net of housing set aside. Within the 2002 Annex, Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. Beginning in year 31, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set-aside.

**Oakland Redevelopment Agency
Central District Redevelopment Project**

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

10/23/06

Table 2

		Taxable Value		Gross Tax	Housing	SB 2557	Statutory Tax Sharing Payments			Tax	Added Housing	Net Tax
		Total	Over Base				Revenue	Set-Aside	County Admin.			
		Taxable Value	291,021									
1	2006-07	3,571,245	3,280,224	40,602	(8,120)	(353)	(1,868)	0	0	30,260	(2,030)	28,230
2	2007-08	3,682,027	3,391,006	41,875	(8,375)	(364)	(2,137)	0	0	30,999	(2,094)	28,905
3	2008-09	3,752,008	3,460,987	42,669	(8,534)	(371)	(2,306)	0	0	31,457	(2,133)	29,324
4	2009-10	3,823,389	3,532,367	43,477	(8,695)	(378)	(2,478)	0	0	31,925	(2,174)	29,751
5	2010-11	3,896,197	3,605,176	44,301	(8,860)	(385)	(2,653)	0	0	32,402	(2,215)	30,187
6	2011-12	3,970,461	3,679,440	45,141	(9,028)	(393)	(2,831)	0	0	32,889	(2,257)	30,632
7	2012-13	4,046,211	3,755,190	45,998	(9,200)	(400)	(42)	0	0	36,356	(2,300)	34,056
8	2013-14	4,123,475	3,832,454	46,871	(9,374)	(408)	(44)	(1)	0	37,044	(2,344)	34,700
9	2014-15	4,202,285	3,911,264	47,761	(9,552)	(416)	(45)	(3)	0	37,745	(2,388)	35,357
10	2015-16	4,282,671	3,991,650	48,668	(9,734)	(423)	(47)	(4)	0	38,461	(2,433)	36,027
11	2016-17	4,364,665	4,073,644	49,593	(9,919)	(431)	(48)	(5)	0	39,190	(2,480)	36,710
12	2017-18	4,448,299	4,157,278	50,564	(10,113)	(440)	(50)	(7)	0	39,955	(2,528)	37,426
13	2018-19	4,533,605	4,242,584	51,556	(10,311)	(449)	(52)	(8)	0	40,737	(2,578)	38,159
14	2019-20	4,620,618	4,329,597	52,568	(10,514)	(457)	(53)	(10)	0	41,534	(2,628)	38,906
15	2020-21	4,709,371	4,418,349	53,369	(10,674)	(464)	(55)	(11)	0	42,165	(2,668)	39,497
16	2021-22	4,799,898	4,508,877	54,398	(10,880)	(473)	(57)	(13)	0	42,976	(2,720)	40,256
17	2022-23	41,015	25,234	294	(59)	(3)	(59)	(14)	0	160	(15)	145
18	2023-24	41,814	26,034	303	(61)	(3)	(61)	(16)	0	163	(15)	148
19	2024-25	42,630	26,849	312	(62)	(3)	(62)	(17)	0	167	(16)	152
20	2025-26	43,461	27,681	322	(64)	(3)	(64)	(19)	0	172	(16)	155
21	2026-27	44,310	28,529	332	(66)	(3)	(66)	(20)	0	176	(17)	159
22	2027-28	45,175	29,394	342	(68)	(3)	(68)	(22)	0	180	(17)	163
23	2028-29	46,058	30,277	306	(61)	(3)	(61)	(21)	0	160	(15)	145
24	2029-30	46,958	31,177	312	(62)	(3)	(62)	(22)	0	162	(16)	147
25	2030-31	47,876	32,095	321	(64)	(3)	(64)	(24)	0	166	(16)	150
26	2031-32	48,813	33,032	330	(66)	(3)	(66)	(25)	0	170	(17)	154
27	2032-33	49,768	33,987	340	(68)	(3)	(68)	(27)	0	174	(17)	157
28	2033-34	50,742	34,962	350	(70)	(3)	(70)	(28)	(1)	177	(17)	160
29	2034-35	51,736	35,955	360	(72)	(3)	(72)	(30)	(2)	180	(18)	162
30	2035-36	52,750	36,969	370	(74)	(3)	(74)	(32)	(3)	183	(18)	165
31	2036-37	53,784	38,003	380	(76)	(3)	(76)	(34)	(4)	187	(19)	168
32	2037-38	54,839	39,058	391	(78)	(3)	(78)	(35)	(6)	190	(20)	170
33	2038-39	55,914	40,134	401	(80)	(3)	(80)	(37)	(7)	193	(20)	173
34	2039-40	57,012	41,231	412	(82)	(4)	(82)	(39)	(8)	197	(21)	176
35	2040-41	58,131	42,350	424	(85)	(4)	(85)	(41)	(9)	200	(21)	179
36	2041-42	59,273	43,492	435	(87)	(4)	(87)	(43)	(11)	204	(22)	182
37	2042-43	60,437	44,657	447	(89)	(4)	(89)	(45)	(12)	207	(22)	185
38	2043-44	61,625	45,844	458	(92)	(4)	(92)	(47)	(13)	211	(23)	188
39	2044-45	62,837	47,056	471	(94)	(4)	(94)	(49)	(15)	215	(24)	191
40	2045-46	64,072	48,292	483	(97)	(4)	(97)	(51)	(16)	219	(24)	195
41	2046-47	65,333	49,552	496	(99)	(4)	(99)	(53)	(17)	223	(25)	198
				768,802	(153,760)	(6,689)	(16,645)	(850)	(125)	590,733	(38,440)	552,293

**Oakland Redevelopment Agency
Central District Redevelopment Project**

Historical Assesed Values (1)

Table 3

	Base Year 1968-69	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Base Year Adjusted (3)	2003-04	2004-05	2005-06	2006-07
<i>Secured (2)</i>													
Land	213,472,420	430,053,378	436,393,138	427,918,827	442,449,591	479,129,299	518,629,695	561,384,436	227,898,880	588,214,278	648,765,149	789,255,669	887,077,356
Impts	638,283	1,219,132,020	1,227,909,359	1,231,002,337	1,355,976,801	1,562,377,101	1,642,873,915	1,980,249,319	638,283	2,162,387,697	2,266,594,204	2,407,310,147	2,626,819,254
Pers Prop	0	60,437,274	64,848,844	79,160,975	69,600,755	63,987,297	54,788,060	37,169,214	0	30,146,703	28,048,236	31,599,936	32,697,514
Exemptions	0	(249,826,116)	(263,511,941)	(270,203,345)	(270,023,156)	(271,188,283)	(113,643,485)	(146,743,950)	0	(242,052,728)	(239,926,626)	(262,466,469)	(313,144,912)
Total Secured	214,110,703	1,459,796,556	1,465,639,400	1,467,878,794	1,598,003,991	1,834,305,414	2,102,648,185	2,432,059,019	228,537,163	2,538,695,950	2,703,480,963	2,965,699,283	3,233,449,212
<i>Unsecured</i>													
Land	0	25,599,647	32,564,358	34,524,552	35,264,212	12,991,470	13,008,000	17,678,883	0	18,537,551	18,223,522	52,491,047	52,028,589
Impts	0	139,561,141	143,518,281	152,562,248	155,740,568	86,060,521	86,470,008	124,108,292	0	119,085,976	122,910,694	131,491,787	135,485,256
Pers Prop	61,129,825	114,643,304	145,308,822	149,361,308	146,664,981	167,474,625	179,800,975	171,176,952	62,484,067	171,441,856	169,555,084	170,797,208	154,281,170
Exemptions	0	(7,013,045)	(9,676,787)	(4,208,235)	(7,604,137)	(7,520,171)	(5,457,994)	(7,714,909)	0	(8,048,496)	(11,769,795)	(13,448,722)	(3,998,748)
Total Unsecured	61,129,825	272,791,047	311,714,674	332,239,873	330,065,624	259,006,445	273,820,989	305,249,218	62,484,067	301,016,887	298,919,505	341,331,320	337,796,267
GRAND TOTAL	275,240,528	1,732,587,603	1,777,354,074	1,800,118,667	1,928,069,615	2,093,311,859	2,376,469,174	2,737,308,237	291,021,230	2,839,712,837	3,002,400,468	3,307,030,603	3,571,245,479
Secured Growth %			0.40%	0.15%	8.86%	14.79%	14.63%	15.67%		4.38%	6.49%	9.70%	9.03%
Unsecured Growth %			14.27%	6.58%	-0.65%	-21.53%	5.72%	11.48%		-1.39%	-0.70%	14.19%	-1.04%
Overall Growth %			2.58%	1.28%	7.11%	8.57%	13.53%	15.18%		3.74%	5.73%	10.15%	7.99%

(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 Redevelopment Project**

TOP TEN TAXABLE PROPERTY OWNERS

For Fiscal Year 2006-07

Table 4

	Secured			Unsecured			Total		Use Code
	Taxable Value	Parcels	% of Sec. AV	Taxable Value	Parcels	% of Unsec. AV	Taxable Value	% of Total Value	
1. OCC Venture LLC	\$206,539,501	9	6.39%	\$0	0	0.00%	\$206,539,501	5.78%	Non-contiguous Commercial Office Buildings
2. Kaiser Foundation Health Plan Inc. [Owner has pending appeals on parcels]	\$132,785,091	5	4.11%	\$30,388,145	6	9.00%	\$163,173,236	4.57%	Foundation Administrative Offices/Parking
3. 1800 Harrison Foundation	\$114,900,203	1	3.55%	\$0	0	0.00%	\$114,900,203	3.22%	Non-contiguous Commercial Office Buildings
4. Clorox Company [Owner has pending appeals on parcels]	\$93,590,595	3	2.89%	\$0	0	0.00%	\$93,590,595	2.62%	Commercial Office Building
5. 555 Twelfth Street Venture LLC [Owner has pending appeals on parcels]	\$89,186,247	1	2.76%	\$0	0	0.00%	\$89,186,247	2.50%	Commercial Office Building
6. Brandywine Ordway LLC	\$89,151,972	1	2.76%	\$0	0	0.00%	\$89,151,972	2.50%	Commercial Office Buildings
7. Sodalite Limited Partnership	\$66,045,000	3	2.04%	\$0	0	0.00%	\$66,045,000	1.85%	Commercial Office Building & Parking Garage
8. SSR Western Multifamily LLC [Owner has pending appeals on parcels]	\$64,567,437	3	2.00%	\$0	0	0.00%	\$64,567,437	1.81%	Non-contiguous, High Rise Multifamily Residential
9. US Property Fund III GMBH & Company [Owner has pending appeals on parcels]	\$47,262,691	1	1.46%	\$0	0	0.00%	\$47,262,691	1.32%	Commercial Office Building
10. Sparknight	<u>\$42,396,957</u>	<u>3</u>	1.31%	<u>\$0</u>	<u>0</u>	0.00%	<u>\$42,396,957</u>	1.19%	Commercial Office Building
Top Ten Property Owner Totals:	\$946,425,694	30		\$30,388,145	6		\$976,813,839		
Project Area Totals:	\$3,233,449,212		29.27%	\$337,796,267		9.00%	\$3,571,245,479	27.35%	
Project Area Incremental Value:	\$3,004,912,049		31.50%	\$275,312,200		11.04%	\$3,280,224,249	29.78%	

Oakland Redevelopment Agency
Central District Redevelopment Project
 New Development

10/23/06

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>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
	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
	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
	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
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
Transfers of Ownership After 1/1/2006	95	Lump Sum	\$104,328,217	\$61,311,829	\$43,016			\$0	\$43,016	\$0	\$0	\$0
Total Real Property:			\$104,328,217	\$61,311,829	\$43,016				\$43,016	\$0	\$0	\$0
						Adj. Annually for Inflation @	2%			\$0	\$0	\$0

(THIS PAGE INTENTIONALLY LEFT BLANK)

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 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 and a Second Supplemental Indenture of Trust dated as of November 1, 2006, 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 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, and 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.

"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, , and 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.

"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 and the Second 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, commencing March 1, 2003, 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 2005 Qualified Reserve Account Credit Instrument" means the surety bond issued by the Series 2005 Insurer pursuant to the Series 2005 Reserve Account Agreement for the credit of the Reserve Account as provided therein and subject to the limitations set forth therein.

"Series 2005 Reserve Account Agreement" means the Guaranty Agreement, dated the Closing Date for the Series 2005 Bonds, by and between the Agency and the Series 2005 Insurer, relating to the Series 2005 Qualified Reserve Account Credit Instrument.

"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 Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Second Supplement.

"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 2006T Reserve Account Agreement" means the Financial Guaranty Agreement, dated the Closing Date, by and between the Agency and the Series 2006T Insurer, relating to the Series 2006T Qualified Reserve Account Credit Instrument.

"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 Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, a New York Stock Insurance Company or any successor thereto.

"Series 2003 Policy Costs" shall have the meaning assigned to that term in the Series 2003 Reserve Account Agreement.

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

"Series 2003 Reserve Account Agreement" means the Debt Service Reserve Fund Policy Agreement dated as of January 9, 2003, between the Agency and 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.

"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) Costs of Issuance Fund,
- (b) Redevelopment Fund,
- (c) Special Fund,
- (d) Debt Service Fund,
- (e) Interest Account,
- (f) Principal Account,
- (g) Reserve Account, and
- (h) Redemption Account.

Costs of Issuance Fund. The moneys in the 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 2003 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 date which is six (6) months following the Closing Date with respect to the Series 2003 Bonds, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and transferred to the Redevelopment Fund.

Series 2006T Costs of Issuance Fund. The moneys in the Series 2006T 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 2006T 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 May 1, 2007, or the date of receipt by the Trustee of a Written Request of the Agency, all amounts (if any) remaining in the Series 2006T Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and be transferred to the Agency for deposit in the Redevelopment Fund.

Redevelopment Fund. The moneys in the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit in 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 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.

Claims Upon the Series 2003 Bond Insurance Policy

The following provisions apply to claims upon the Series 2003 Bond Insurance Policy with respect to the Series 2003 Bonds and apply to payments by and to the Series 2003 Insurer:

(a) If, on the third day preceding any Interest Payment Date for the Series 2003 Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Series 2003 Bonds due on such date, the Trustee shall immediately notify the Series 2003 Insurer and State Street Bank and Trust Company, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the Agency has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Series 2003 Insurer and to the Fiscal Agent the registration books for the Series 2003 Bonds maintained by the Trustee. In addition:

(i) The Trustee shall provide the Series 2003 Insurer with a list of the Owners of the Series 2003 Bonds entitled to receive principal or interest payments from the Series 2003 Insurer under the terms of the Series 2003 Bond Insurance Policy relating to the Series 2003 Bonds and shall make arrangements for the Series 2003 Insurer and its Fiscal Agent (1) to mail checks or drafts to Owners of the Series 2003 Bonds entitled to receive full or partial interest payments from the Series 2003 Insurer and (2) to pay principal of the Series 2003 Bonds surrendered to the Fiscal Agent by the Owners of the Series 2003 Bonds entitled to receive full or partial principal payments from the Series 2003 Insurer; and

(ii) The Trustee shall, at the time it makes the registration books available to the Series 2003 Insurer pursuant to (1) above, notify Owners of the Series 2003 Bonds entitled to receive the payment of principal of or interest on the Series 2003 Bonds from the Series 2003 Insurer (1) as to the fact of such entitlement, (2) that the Series 2003 Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Series 2003 Bond Insurance Policy relating to the Series 2003 Bonds, (3) that, except as provided in paragraph (b) below, in the event that any Owner of a Series 2003 Bond is entitled to receive full payment of principal from the Series 2003 Insurer, such Owner of a Series 2003 Bond must tender his Series 2003 Bond executed in the name of the Series 2003 Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Owner of a Series 2003 Bond is entitled to receive partial payment of principal from the Series 2003 Insurer, such Owner of a Series 2003 Bond must tender his Series 2003 Bond for payment first to the Trustee, which shall note on such Series 2003 Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Series 2003 Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Owner of the Series 2003 Bonds subject to the terms of the Series 2003 Bond Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a Series 2003 Bond has been recovered from an Owner of a Series 2003 Bond pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Series 2003 Insurer, notify all Owners of Series 2003 Bonds that in the event that any such Owner's payment is so recovered, such Owner will be entitled to

payment from the Series 2003 Insurer to the extent of such recovery, and the Trustee shall furnish to the Series 2003 Insurer its records evidencing the payments of principal of and interest on the Series 2003 Bonds which have been made by the Trustee and subsequently recovered from Owners of the Series 2003 Bonds, and the dates on which such payments were made.

(c) The Series 2003 Insurer shall, to the extent it makes payment of principal of or interest on the Series 2003 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2003 Bond Insurance Policy relating to the Series 2003 Bonds and, to evidence such subrogation, (A) in the case of subrogation as to claims for past due interest, the Trustee shall note the Series 2003 Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Series 2003 Insurer of proof of the payment of interest thereon to the Owners of the Series 2003 Bonds and (B) in the case of subrogation as to claims for past due principal, the Trustee shall note the Series 2003 Insurer's right as subrogee on the registration books for the Series 2003 Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Owners of such Series 2003 Bonds. Notwithstanding anything in the Indenture or the Series 2003 Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Series 2003 Insurer to the extent that the Series 2003 Insurer is a subrogee with respect thereto.

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.

Provisions Relating to the Series 2003 Qualified Reserve Account Credit Instrument.

(a) Notwithstanding anything in the Indenture to the contrary, in the event that amounts on deposit in the Reserve Account are required to be withdrawn to pay the principal of (including pursuant to mandatory sinking fund redemption) and interest on the Series 2003 Bonds, if and to the extent that cash is on deposit in the Reserve Account, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required in the Indenture) prior to any drawing being made under the Series 2003 Qualified Reserve Account Credit Instrument, and the repayment of Series 2003 Policy Costs shall be made prior to the replenishment of any such cash amounts and shall enjoy the same priority as the obligation to maintain and refill the Reserve Account. Additionally, if in addition to the Series 2003 Qualified Reserve Account Credit Instrument any other surety bond, insurance policy or letter of credit (an "Additional Qualified Reserve Account Credit Instrument") is provided, drawings under the Series 2003 Qualified Reserve Account Credit Instrument and such Additional Qualified Reserve Account Credit Instrument, and repayment of the Series 2003 Policy Costs and reimbursements of amounts due in connection with the Additional Qualified Reserve Account Credit Instrument shall be made on a pro rata basis (calculated by reference to the maximum amounts available to be drawn thereunder) after applying all available cash and Investment Securities on deposit in the Reserve Account and prior to the replenishment of any such cash draws, respectively.

(b) To the extent that a drawing is made on the Series 2003 Qualified Reserve Account Credit Instrument, the Agency shall repay such draw and related expenses as provided in the Series 2003 Reserve Account Agreement (notwithstanding anything to the contrary set forth in the Indenture). Such draw and related expenses shall bear interest at a rate equal to the lower of (i) the prime rate of JPMorgan Chase Bank in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law. Repayment of Policy Costs shall be in an amount equal to 1/12 of the aggregate of Policy Costs related to a draw on the Series 2003 Qualified Reserve Account Credit Instrument.

(c) If the Agency fails to pay any Series 2003 Policy Costs in accordance with the provisions of the Series 2003 Reserve Account Agreement, the Series 2003 Insurer shall be entitled to exercise any and all remedies available at law or under the Indenture or the Series 2003 Reserve Account Agreement other than (i) acceleration of the maturity of the Series 2003 Bonds or (ii) remedies which would adversely affect the Owners of the Series 2003 Bonds.

(d) The Indenture shall not be deemed discharge until all Series 2003 Policy Costs shall have been paid in full.

(e) As security for the Agency's repayment obligations with respect to the Series 2003 Reserve Account Agreement, the Series 2003 Insurer, as provider of the Series 2003 Qualified Reserve Account Credit Instrument, is hereby granted a security interest in the Tax Revenues and amounts held by the Trustee under the Indenture, which security interest shall be subordinate to the security interest granted to the Owners of the Series 2003 Bonds (including the Series 2003 Bond Insurer) and on a parity with the security interest granted to the provider of an Additional Qualified Reserve Account Credit Instrument.

(f) In determining whether the Agency complies with the Parity Debt test set forth in the Indenture in connection with the incurrence of Parity Debt, there shall also be taken into account any Series 2003 Policy Costs then due and payable, provided that there need be only one times coverage with respect thereto. Additionally, in the event that any Series 2003 Policy Costs are past due and owing, no additional Series of Bonds may be issued without the

consent of the Series 2003 Insurer, as provider of the Series 2003 Qualified Reserve Account Credit Instrument.

(g) The Trustee shall ascertain the necessity for a claim upon the Series 2003 Qualified Reserve Account Credit Instrument and provide the Series 2003 Insurer, as the provider thereof, in accordance with the provisions of the Series 2003 Qualified Reserve Account Credit Instrument, at least two (2) days prior to the applicable Interest Payment Date.

Rights Under Series 2005 Bond Insurance Policy.

So long as the Series 2005 Bond Insurance Policy remains in force and effect, the Trustee shall comply with all of the provisions thereof which are required to be complied with to ensure timely payment of the principal and interest on the Series 2005 Bonds when due.

(a) At least one (1) Business Day prior to all Interest Payment Dates the Trustee will determine whether there will be sufficient funds in the Funds and Accounts established under the Indenture to pay the principal of or interest on the Series 2005 Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such funds or accounts, the Trustee shall so notify the Series 2005 Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2005 Bonds to which such deficiency is applicable and whether such Series 2005 Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Series 2005 Insurer at least one (1) Business Day prior to an Interest Payment Date, the Series 2005 Insurer will make payments of principal or interest due on the Series 2005 Bonds on or before the first (1st) Business Day next following the date on which the Series 2005 Insurer has received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Series 2005 Insurer as provided in (a) above, make available to the Series 2005 Insurer and, at the Series 2005 Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Series 2005 Insurer or any successor insurance trustee (the "Insurance Trustee"), the Registration Books and all records relating to the Funds and Accounts maintained under the Indenture.

(c) The Trustee shall provide the Series 2005 Insurer and the Insurance Trustee with a list of the Owners of Series 2005 Bonds entitled to receive principal or interest payments from the Series 2005 Insurer under the terms of the Series 2005 Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of the Series 2005 Bonds entitled to receive full or partial interest payments from the Series 2005 Insurer and (ii) to pay principal upon all Series 2005 Bonds surrendered to the Insurance Trustee by the Owners of Series 2005 Bonds entitled to receive full or partial principal payments from the Series 2005 Insurer.

(d) The Trustee shall, at the time it provides notice to the Series 2005 Insurer under (a) above, notify the Owners of Series 2005 Bonds entitled to receive the payment of principal or interest thereon from the Series 2005 Insurer (i) as to the fact of such entitlement, (ii) that the Series 2005 Insurer will remit to them all or a part of the interest payments next coming due upon proof of the Owner's entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Series 2005 Insurer, they must surrender their Series 2005 Bonds (along with an appropriate instrument of

assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2005 Bonds to be registered in the name of the Series 2005 Insurer) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Series 2005 Insurer, they must surrender their Series 2005 Bonds for payment thereon first to the Trustee who shall note on such Series 2005 Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) If the Trustee has notice that any payment of principal of or interest on a Series 2005 Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Agency has been deemed a preferential transfer and theretofore recovered from its Owner under the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Series 2005 Insurer is notified pursuant to (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Series 2005 Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Series 2005 Insurer its records evidencing the payments of principal of and interest on the Series 2005 Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted the Series 2005 Insurer under the Indenture, the Series 2005 Insurer shall, to the extent it makes payment of principal of or interest on Series 2005 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2005 Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Series 2005 Insurer's rights as subrogee on the Registration Books upon receipt from the Series 2005 Insurer of proof of the payment of interest thereon to the Owners of the Series 2005 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Series 2005 Insurer's rights as subrogee on the Registration Books upon surrender of the Series 2005 Bonds by the Owners thereof together with proof of the payment of principal thereof.

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.

Provisions Relating to the Series 2005 Qualified Reserve Account Credit Instrument.

As long as the Series 2005 Qualified Reserve Account Credit Instrument with respect to the Series 2005 Bonds shall be in full force and effect, or amounts are owed under the Series 2005 Reserve Account Agreement, the Agency and the Trustee agrees to comply with the following provisions:

(i) In the event and to the extent that moneys on deposit in the Special Fund, the Debt Service Fund, the Principal Account and the Interest Account, plus all cash on deposit in and credited to the Reserve Account in excess of the moneys of the Series 2005 Qualified Reserve Account Credit Instrument with respect to the Series 2005 Bonds, are insufficient to pay the amount of principal and interest coming due, then upon the later of (i) one (1) day after receipt by the General Counsel of the Series 2005 Insurer of a demand for payment in the form attached to the Series 2005 Qualified

Reserve Account Credit Instrument as Attachment I (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Indenture has not been made to the Trustee; or (ii) the payment date of the Series 2005 Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of the Series 2005 Insurer, the Series 2005 Insurer will make a deposit for funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee of amounts which are then due to the Trustee under the Indenture (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Series 2005 Qualified Reserve Account Credit Instrument; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Account, in addition to the amount available under the Series 2005 Qualified Reserve Account Credit Instrument, includes amounts available under a letter of credit, insurance policy, surety bond or other such fund instrument (the "Additional Funding Instrument"), draws on the Series 2005 Qualified Reserve Account Credit Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(ii) The Trustee shall, after submitting to Series 2005 Insurer the Demand for Payment as provided in (i) above, make available to Series 2005 Insurer all records relating to the Funds and Accounts maintained under the Indenture.

(iii) The Trustee shall, upon receipt of moneys received from the draw on the Series 2005 Qualified Reserve Account Credit Instrument, as specified in the Demand for Payment, credit the Reserve Account to the extent of moneys received pursuant to such Demand.

(iv) The Reserve Account shall be replenished in the following priority: (i) principal and interest on the Series 2005 Qualified Reserve Account Credit Instrument and on the Additional Funding Instrument shall be paid from first available Tax Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the 2005 Qualified Reserve Account Credit Instrument and the Additional Funding Instrument, shall be deposited from next available Tax Revenues.

Rights Under Series 2006T Bond Insurance Policy.

So long as the Series 2006T Bond Insurance Policy remains in force and effect, the Trustee shall comply with all of the provisions thereof which are required to be complied with to ensure timely payment of the principal of and interest on the Bonds when due. Without limiting the generality of the foregoing, the Trustee shall comply with the following provisions:

(a) In the event that, on the 2nd Business Day, and again on the Business Day, prior to any payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of and interest on the Bonds due on the 2nd following or following, as the case may be, Business Day, the Trustee shall immediately notify the Series 2006T Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Series 2006T Insurer or its designee. In addition, if the Trustee has notice that any Owner of a Series 2006T Bond has been required to disgorge payments of principal or interest on the Series 2006T Bonds to a trustee in

bankruptcy or creditors or others under a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner of a Series 2006T Bond within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Series 2006T Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(b) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Series 2006T Bonds as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest on the Series 2006T Bonds, the Trustee shall (A) execute and deliver to U.S. Bank Trust National Association, in New York, New York, or its successors under the Insurance Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Series 2006T Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Series 2006T Insurer of the claims for interest to which such deficiency relates and which are paid by the Series 2006T Insurer, (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Series 2006T Bond Insurance Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal of the Series 2006T Bonds, the Trustee shall (A) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Series 2006T Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the Series 2006T Insurer of any of the Series 2006T Bonds surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Insurance Policy payment therefor from the Insurance Trustee, and (C) disburse the same to such Owners.

(c) Payments with respect to claims for interest on and principal of Series 2006T Bonds disbursed by the Trustee from proceeds of the Series 2006T Bond Insurance Policy shall not be considered to discharge the obligation of the Agency with respect to such Series 2006T Bonds, and the Series 2006T Insurer shall become the owner of such unpaid Series 2006T Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise. Irrespective of whether any such assignment is executed and delivered, the Agency and the Trustee hereby agree for the benefit of the Series 2006T Insurer that:

(i) They recognize that to the extent the Series 2006T Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Series 2006T Bonds, the Series 2006T Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Agency, with interest thereon as provided and solely from the sources stated in the Indenture and the Series 2006T Bonds; and

(ii) They will accordingly pay to the Series 2006T Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Series 2006T Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Indenture and the Series 2006T Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2006T Bonds to the Owners, and will otherwise treat the Series 2006T Insurer as the owner of such rights to the amount of such principal and interest.

(d) The Agency agrees to reimburse the Series 2006T Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Series 2006T Insurer in connection with (i) the enforcement by the Series 2006T Insurer of the Agency's obligations, or the preservation or defense of any rights of the Series 2006T Insurer, under the Indenture and any other document executed in connection with the issuance of the Series 2006T Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Series 2006T Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

(e) The Agency agrees not to use the Series 2006T Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Series 2006T Insurer's prior consent. In the event that the Agency is advised by counsel that it has a legal obligation to disclose the Series 2006T Insurer's name in any press release, public announcement or other public document, the Agency shall provide the Series 2006T Insurer with at least 3 Business Days' prior written notice of its intent to use the Series 2006T Insurer's name together with a copy of the proposed use of the Series 2006T Insurer's name and of any description of a transaction with the Series 2006T Insurer and shall obtain the Series 2006T Insurer's prior consent as to the form and substance of the proposed use of the Series 2006T Insurer's name and any such description.

(f) The Agency will not enter into any agreement and will not consent to or participate in any arrangement under which Series 2006T Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Series 2006T Bonds, without the prior written consent of the Series 2006T 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.

Provisions Relating to the Series 2006T Qualified Reserve Account Credit Instrument.

Under the Indenture, the Trustee is required to draw upon the Series 2006T Qualified Reserve Account Credit Instrument in accordance with the terms thereof. Payments owed by the Agency to the Series 2006T Insurer due to draws under the Series 2006T Qualified Reserve Account Credit Instrument will be made pursuant to the terms of the Series 2006T Reserve Account Agreement.

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 and the Series 2006T 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 and the Series 2006T 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.

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.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

November __, 2006

Redevelopment Agency of the City of Oakland
One Frank Ogawa Plaza
Oakland, California 94612

OPINION: \$33,135,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (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 \$33,135,000 principal amount Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (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 October 31, 2006, 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 Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 2005, and a Second Supplemental Indenture of Trust dated as of November 1, 2006 (collectively, the "Indenture"), both 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 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 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 avoiding penalties under the Internal Revenue Code.

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 \$33,135,000 Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Indenture of Trust, dated as of January 1, 2003, between the Agency and The Bank of New York Trust Company, N.A., as successor to BNY Western Trust Company as trustee (the "Trustee"), as supplemented by that certain First Supplemental Indenture of Trust dated as of February 1, 2005, between the Agency and the Trustee, and by that certain Second Supplemental Indenture of Trust dated as of November 1, 2006, between the Agency and the Trustee (collectively, the "Indenture"). 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.

"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.

"CPO" means the Internet-based filing system currently located at www.DisclosureUSA.org, or such other similar filing system approved by the Securities and Exchange Commission.

"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.

"National Repository" shall mean the repositories designated by the Securities and Exchange Commission from time to time for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm

"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.

"Repository" shall mean each National Repository and each State Repository.

"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.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) Not later than nine months after the end of the Agency's fiscal year (which is currently June 30), commencing with the 2005-2006 fiscal year, the Agency shall, or shall cause the Dissemination Agent to provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-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 date required above for the filing of the Annual Report if they are 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).

(b) Not later than fifteen (15) Business Days prior to said date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If the Agency is unable to provide to the Dissemination Agent and the Repositories an Annual Report by the date required in subsection (a), the Dissemination Agent shall provide to (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A. In lieu of filing the notice with each Repository, the Agency or the Dissemination Agent may file such notice with the CPO.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; 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 Agreement, stating the date it was provided and listing the Repositories to which it was provided.

(d) In lieu of filing the Annual Report with each Repository in accordance with the preceding paragraph (c), the City or the Dissemination Agent may file such Annual Report solely with the CPO.

Section 4. Content of Annual Reports. The Agency's Annual Report shall contain or include by reference the following:

1. 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 time the Annual Report is required to be filed pursuant to Section 3(a), 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.

2. Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the Agency for the preceding Fiscal Year, substantially similar to that provided in the corresponding tables and charts in the Official Statement for the Bonds:

- (a) Table 1 - Summary Plan Data;
- (b) Table 2 – Property Tax Values;
- (c) Table 3 – Tax Revenues Received;
- (d) Table 4 – 10 Largest Local Taxpayers.

Such annual information and operating data described above shall be provided on or before nine months after the end of the Agency's fiscal year. The Agency's current fiscal year ends June 30. The Agency may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any. In lieu of providing such annual financial information and operating data, the Agency may cross-reference to other documents provided to the National Repository, the State Repository or the Securities and Exchange Commission and, if such document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

Section 5. Material Events. The Agency agrees to provide or cause to be provided, in a timely manner, to the State Repository, if any, and to each National Repository or to the Municipal Securities Rulemaking Board notice of the occurrence of any of the following events (the "Listed 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.

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.

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 (i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository. The Agency shall have no obligation under this Section 3 to give further notices after the date of the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event. In lieu of filing the notice of Listed Event with each Repository in accordance with the preceding paragraph, the Agency or the Dissemination Agent may file such notice of a Listed Event with the CPO.

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. 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 7. 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.

Section 8. 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 9. 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 10. 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 11. 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 12. 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 13. 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 14. Effective Date. This Disclosure Certificate shall be effective on and as of the date of issuance and delivery of the Bonds.

Section 15. 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
-------------------	--

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 16. 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 ____ day of November, 2006.

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: \$33,135,000 Redevelopment Agency of the City of Oakland,
Central District Redevelopment Project Subordinated Tax
Allocation Bonds, Series 2006T (Federally Taxable) (the "Bonds")

Date of Delivery: November __, 2006.

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and 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 Second Supplemental Indenture of Trust dated as of November 1, 2006 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 AND GLOBAL CLEARANCE PROCEDURES

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information under this heading concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC. The Agency and the Underwriter take no responsibility for the completeness or accuracy thereof. The Agency and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, on the Series 2006T Bonds, (b) security certificates representing ownership interest in or other confirmation or ownership interest in the Series 2006T Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006T 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 Official Statement, including 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2006T Bonds. The Series 2006T Bonds 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 maturity of each Series of the Series 2006T Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (respectively, “NSCC,” “GSCC,” “MBSCC” and “EMCC,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of the Series 2006T Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006T Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006T Bond ("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 Series 2006T Bonds 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 the Series 2006T Bonds, except in the event that use of the book-entry system for the Series 2006T Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006T Bonds 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 the Series 2006T Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006T Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006T Bonds 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.

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 the Series 2006T Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2006T Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2006T Bonds may wish to ascertain that the nominee holding the Series 2006T Bonds 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 the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2006T Bonds within a Series 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.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2006T Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 the Series 2006T Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2006T Bonds 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 the Agency or the Trustee 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 nor Cede & Co. (nor such other DTC nominee), the Trustee or the Agency, subject to any

statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Series 2006T Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2006T Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

The Agency 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency and the Underwriter take no responsibility for the accuracy thereof.

PURCHASES OF THE SERIES 2006T BONDS THROUGH EUROCLEAR AND CLEARSTREAM

The information concerning Clearstream and Euroclear has been derived from information obtained from Clearstream and Euroclear and other sources. Neither the Agency nor the Underwriter make any representation or warranty regarding the accuracy or completeness thereof.

General

The Series 2006T Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Series 2006T Bonds. Purchases of the Series 2006T Bonds will be in book-entry form only, as more fully described below. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

The Agency and the Underwriter cannot and do not give any assurances that DTC, Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will distribute to the Beneficial Owners of the Series 2006T Bonds: (i) payments of principal and interest payments (including redemption payments) with respect to the Series 2006T Bonds; (ii) confirmation of ownership interest in the Series 2006T Bonds; or (iii) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006T Bonds, or that they will do so on a timely basis, or that DTC, the Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will serve and act in the manner described in this Official Statement.

The Agency and the Underwriter will have no responsibility or obligations to DTC, the Participants, Euroclear, Euroclear Participants, Clearstream, Clearstream customers or the Beneficial Owners with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants; (ii) the payment by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any amount

due to any Beneficial Owner in respect of principal and interest payments (including redemption payments) on the Series 2006T Bonds; (iii) the delivery by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Series 2006T Bonds; or (iv) any consent given or other action taken by DTC as registered holder of the Series 2006T Bonds.

Clearstream

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”), was incorporated in 1970 as “Cede S.A.”, a company with limited liability under Luxembourg law (a société anonyme). Cede/ S.A. subsequently changed its name to Cedelbank. On 10 January 2000, Cedelbank’s parent company, Cedel International, société anonyme (“CI”) merged its clearing, settlement and custody business with that of Deutsche Börse AG (“DBAG”). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect 14 January 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG.

Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On 18 January 2000, Cedelbank was renamed “Clearstream Banking, société anonyme”, and Cedel Global Services was renamed “Clearstream Services, société anonyme”. On 17 January 2000, Deutsche Börse Clearing AG was renamed “Clearstream Banking AG”.

Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, “CSSF”; and the Banque Centrale du Luxembourg (“BCL”) which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg’s U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear Bank

Euroclear Bank S.A./N.V. (“Euroclear Bank”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants.

Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire Securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Series 2006T Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories").

Holders of the Series 2006T Bonds may hold their Series 2006T Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Series 2006T Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2006T Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2006T Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2006T Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds.

When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2006T Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds.

Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's . In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream

customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants. Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

APPENDIX H

SPECIMEN FINANCIAL GUARANTY BOND INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

(THIS PAGE INTENTIONALLY LEFT BLANK)



PACIFIC FINANCIAL PRINTING