

*In the opinion of Lofton & Jennings, San Francisco, California, Bond Counsel, under existing law, the interest on the Series 2010-T Bonds is exempt from California personal income taxes. The interest on the Series 2010-T 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. No owner of a Series 2010-T Bond is entitled to a tax credit with respect to the interest received thereon.*

**\$7,390,000**  
**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT**  
**SECOND LIEN TAX ALLOCATION BONDS, SERIES 2010-T**  
**(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC**  
**DEVELOPMENT BONDS-DIRECT PAYMENT)**

**Dated: Date of Delivery****Due: September 1, as shown on inside cover page**

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

The above-referenced bonds (the “Series 2010-T 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 Broadway/MacArthur/San Pablo Redevelopment Project Area (the “Project Area”); (ii) satisfy the Reserve Requirement for the Series 2010-T Bonds; and (iii) pay the costs associated with the issuance of the Series 2010-T Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.” The Series 2010-T Bonds are issued pursuant to an Indenture of Trust dated as of November 1, 2010 and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The Series 2010-T Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series 2010-T 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 2010-T Bonds. Principal of, interest on and redemption premiums, if any, on the Series 2010-T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2010-T 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 2010-T Bonds. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2010-T Bonds, all notices, including any notice of redemption, will be mailed only to Cede & Co. See APPENDIX G—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Interest on the Series 2010-T Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2011, at the respective rates set forth on the inside cover page. Principal of the Series 2010-T Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover page.

**The Series 2010-T Bonds are subject to optional and mandatory sinking account redemption as described herein. See “THE SERIES 2010-T BONDS—Redemption.”**

For a discussion of some of the risks associated with the purchase of the Series 2010-T Bonds, see “SPECIAL RISK FACTORS.”

The Series 2010-T Bonds are payable from and secured by a pledge of Second Lien Tax Revenues (as defined herein), consisting of Tax Revenues, which in turn consist primarily of tax increment derived from property in the Project Area and allocated to the Agency pursuant to the Redevelopment Law, following payment, or provision for payment, of all amounts due with respect to the Agency’s Series 2006C Bonds (as described herein). No funds or properties of the Agency, other than the Second Lien Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the Series 2010-T Bonds. The Agency has also pledged Refundable Credits in the amount of 45% of each interest payment, that it expects to receive from the federal government as security for the Series 2010-T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS.”

The Agency is offering the Series 2010-T Bonds as taxable bonds and will elect to treat the Series 2010-T Bonds as “recovery zone economic development bonds,” a category of “Build America Bonds,” for purposes of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) and to receive Direct Payments (as defined herein) from the United States Treasury Department in connection therewith equal to 45% of the interest due on each Interest Payment Date. The Direct Payments are pledged as security for the Series 2010-T Bonds. Although the Agency intends to apply the Direct Payments toward the payment of debt service on the Series 2010-T Bonds, the receipt of any Direct Payment is subject to certain requirements and the Agency is obligated to pay the entire principal of and interest on the Series 2010-T Bonds regardless of whether it receives any Direct Payment. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Direct Payment.”

THE SERIES 2010-T 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 2010-T BONDS ARE PAYABLE SOLELY FROM SECOND LIEN TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2010-T 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 2010-T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2010-T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

*The Series 2010-T Bonds are offered when, as and if issued, subject to the approval as to their legality by Lofton & Jennings, San Francisco, California, Bond Counsel. Lofton & Jennings, San Francisco, California, is also serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Oakland in his capacity as Agency Counsel, and by Jones Hall, A Professional Law Corporation, San Francisco, California, as counsel to the Underwriters. It is anticipated that the Series 2010-T Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about November 12, 2010.*

**De La Rosa & Co.****Blaylock Robert Van, LLC**

**MATURITY SCHEDULE**

**\$7,390,000**

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT  
SECOND LIEN TAX ALLOCATION BONDS, SERIES 2010-T  
(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC  
DEVELOPMENT BONDS-DIRECT PAYMENT)**

\$1,285,000–7.200% Term Bond due September 1, 2030, Yield: 7.492%, Price: 97.000%  
CUSIP No.:† 672321 KF2

\$6,105,000–7.400% Term Bond due September 1, 2040, Yield: 7.656%, Price: 97.000%  
CUSIP No.:† 672321 KG0

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

**AGENCY BOARD AND CITY COUNCIL**

Jane Brunner (District 1)  
*Agency Chair and President of the City Council*

Jean Quan (District 4)  
*Agency Member and Vice Mayor*

Patricia Kernighan (District 2)  
*Agency Member and Councilmember*

Nancy Nadel (District 3)  
*Agency Member and Councilmember*

Ignacio De La Fuente (District 5)  
*Agency Member and Councilmember*

Desley Brooks (District 6)  
*Agency Member and Councilmember*

Larry Reid, Jr. (District 7)  
*Agency Member and Councilmember*

*Rebecca Kaplan (At-Large)*  
*Agency Member and Councilmember*

**AGENCY AND CITY STAFF**

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

**SPECIAL SERVICES**

Lofton & Jennings  
San Francisco, California  
*Bond Counsel and Disclosure Counsel*

HdL Coren & Cone  
Diamond Bar, California  
*Fiscal Consultant*

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

Jones Hall, A Professional Law Corporation,  
San Francisco, California  
*Underwriters' 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 2010-T Bonds by the Agency or the Underwriter, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Series 2010-T 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 2010-T 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 Underwriters as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2010-T 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have 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 2010-T 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 2010-T Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Series 2010-T Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Series 2010-T 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 Underwriters may offer and sell the Series 2010-T 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 Underwriters.

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**\$7,390,000**  
**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT**  
**SECOND LIEN TAX ALLOCATION BONDS, SERIES 2010-T**  
**(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC**  
**DEVELOPMENT BONDS-DIRECT PAYMENT)**

**INTRODUCTION**

This introduction contains only a brief summary of certain of the terms of the Series 2010-T 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 2010-T 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 \$7,390,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the “Series 2010-T Bonds”) to be issued by the Redevelopment Agency of the City of Oakland (the “Agency”).

The Series 2010-T 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 Resolution No. 2010-0111 C.M.S. of the Agency adopted on October 19, 2010 (the “Resolution”) which authorized the issuance, sale and delivery of the Series 2010-T Bonds. The Series 2010-T Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2010 (the “Indenture”), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

**Purpose**

The Series 2010-T Bonds are being issued to (i) finance certain redevelopment activities within or to the benefit of the Agency’s Broadway/MacArthur/San Pablo Redevelopment Project Area (the “Project Area”); (ii) fund the Reserve Requirement for the Series 2010-T Bonds; and (iii) pay the costs associated with the issuance of the Series 2010-T Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.” The Series 2010-T 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 City**

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

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

### **The Project Area**

The Project Area consists of two distinct areas, the Broadway/MacArthur sub-area and the San Pablo sub-area, is located in northern Oakland and comprises an aggregate of 676 acres. See "THE PROJECT AREA" and APPENDIX C—"REPORT OF THE FISCAL CONSULTANT."

### **The Series 2010-T Bonds**

The Series 2010-T 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 2010-T BONDS."

The Series 2010-T 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 2010-T Bonds. Individual purchases of the Series 2010-T Bonds will be made in book entry form only. Principal of, premium, if any, and interest on, the Series 2010-T Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2010-T 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 2010-T Bonds. Purchasers will not receive certificates representing the Series 2010-T Bonds purchased by them. See APPENDIX G—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Each Series 2010-T 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 2010-T Bonds), commencing March 1, 2011, and will mature on the dates and in the amounts set forth on the inside cover page hereof.

### **Security and Sources of Payment for the Series 2010-T Bonds**

**General.** The Series 2010-T Bonds are limited obligations of the Agency payable solely from and secured solely by a pledge of Second Lien Tax Revenues (as defined herein) and certain other funds held by the Trustee pursuant to the Indenture; including the Direct Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS."

***Tax Revenues; Prior Lien Securing Series 2006C 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 1999-2000. The Agency, under the Indenture, pledges the Tax Revenues to secure repayment of the Series 2010-T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Allocation of Taxes” and “–Tax Revenues.”

Tax Revenues have previously been pledged to payment of the Redevelopment Agency of the City of Oakland Tax Allocation Bonds, Series 2006C-TE (the “Series 2006C-TE Bonds”), and the Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the “Series 2006C-T Bonds” and, together with the Series 2006C-TE Bonds, the “Series 2006C Bonds”). The Series 2006C Bonds are currently outstanding in the aggregate principal amount of \$16,130,000 as of the date of this Official Statement. The Agency has covenanted that it will not issue any additional bonds or other debt payable from Tax Revenues on a parity with the Series 2006C Bonds, other than refunding obligations which have lower Annual Debt Service than the Series 2006C Bonds refunded thereby (the “Refunded Series 2006C Bonds”) and (b) mature in whole no later than the final maturity date of the Refunded Series 2006C Bonds.

***Second Lien Tax Revenues.*** Second Lien Tax Revenues are pledged to repayment of the Series 2010-T Bonds and are comprised of Tax Revenues remaining following payment, or provision for payment, of the Series 2006C Bonds. See “DEBT SERVICE COVERAGE PROJECTIONS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Outstanding Senior and Parity Debt.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Additional Parity and Subordinate Debt.”

***Direct Payment.*** The Agency has designated the Series 2010-T Bonds as “recovery zone economic development bonds” within the meaning of the Internal Revenue Code of 1986, as amended. The Agency expects to receive a direct payment (the “Direct Payments” or “Refundable Credits”) from the United States Treasury Department in the amount of forty-five percent (45%) of the interest payment on the Series 2010-T Bonds on each interest payment due on the Series 2010-T Bonds. The Agency has pledged the Direct Payment to the payment of debt service on the Series 2010-T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Direct Payment.”

***Reserve Account.*** On the date of delivery of the Series 2010-T Bonds, a portion of the Series 2010-T Bond proceeds will be deposited into the Series 2010-T Bonds Subaccount of the Reserve Account to fund the Reserve Requirement attributable to the Series 2010-T Bonds. In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient to pay debt service on the Series 2010-T Bonds, the amounts so deposited will be available to pay debt service on the Series 2010-T Bonds. The amounts deposited may, if so provided in a supplemental indenture authorizing the issuance of Parity Debt, be used to pay debt service on such Parity Debt. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Reserve Account.”

THE SERIES 2010-T 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 2010-T BONDS ARE PAYABLE SOLELY FROM SECOND LIEN TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2010-T 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 2010-T BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2010-T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

### **Certain Risk Factors**

Investment in the Series 2010-T Bonds involves risk. For a discussion of certain considerations relevant to an investment in the Series 2010-T Bonds, see “SPECIAL RISK FACTORS.”

### **Additional Information**

This Official Statement contains brief descriptions of the Series 2010-T Bonds, the security for the Series 2010-T Bonds, the Indenture, the Agency, the Project, the Project Area and certain other information relevant to the issuance of the Series 2010-T 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 2010-T 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, 2009 are included in APPENDIX B. The proposed form of legal opinion of Bond Counsel for the Series 2010-T 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 Underwriters and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the Series 2010-T 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**

### **The Project**

A portion of the proceeds of the Series 2010-T 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, contributing funds for the construction of a parking garage and related infrastructure as part of the MacArthur Transit Village, a mixed-use development adjacent to the MacArthur station of the San Francisco Bay Area Rapid Transit District (BART) system. The Project does not serve as security for the Series 2010-T Bonds.

## Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2010-T Bonds are as follows:

<b>Sources:</b>	
Principal Amount	\$7,390,000.00
Less Original Issue Discount	<u>(221,700.00)</u>
TOTAL SOURCES	\$7,168,300.00
<b>Uses:</b>	
Deposit to Redevelopment Fund <sup>(1)</sup>	\$6,308,104.00
Deposit to Reserve Account <sup>(2)</sup>	716,830.00
Costs of Issuance <sup>(3)</sup>	<u>143,366.00</u>
TOTAL USES	\$7,168,300.00

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

<sup>(2)</sup> Deposit to the Series 2010-T Subaccount of the Reserve Account equal to the Reserve Requirement applicable to the Series 2010-T Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS–Reserve Account.”

<sup>(3)</sup> Includes the fees and expenses of Bond Counsel and Disclosure Counsel fees, fees and expenses of the Fiscal Consultant, the Trustee, Underwriters’ fee, Underwriters’ Counsel fees, printing costs, rating agency fees and other costs related to the issuance of the Series 2010-T Bonds. The amount shown excludes a \$50,000 Agency contribution to costs of issuance.

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## Debt Service Schedule

Set forth below is a table showing debt service on the Series 2010-T Bonds and the estimated Direct Payments.

### DEBT SERVICE SCHEDULE

The following table shows annual debt service on the Series 2010-T Bonds, without regard to any optional redemption, net of the Direct Payments expected to be received estimated coverage assuming no growth in Tax Revenues.

Bond Year Ending <u>September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	—	\$436,943.92	\$436,943.92
2012	\$50,000.00	544,290.00	594,290.00
2013	50,000.00	540,690.00	590,690.00
2014	50,000.00	537,090.00	587,090.00
2015	50,000.00	533,490.00	583,490.00
2016	55,000.00	529,890.00	584,890.00
2017	60,000.00	525,930.00	585,930.00
2018	60,000.00	521,610.00	581,610.00
2019	60,000.00	517,290.00	577,290.00
2020	60,000.00	512,970.00	572,970.00
2021	65,000.00	508,650.00	573,650.00
2022	65,000.00	503,970.00	568,970.00
2023	70,000.00	499,290.00	569,290.00
2024	75,000.00	494,250.00	569,250.00
2025	80,000.00	488,850.00	568,850.00
2026	80,000.00	483,090.00	563,090.00
2027	80,000.00	477,330.00	557,330.00
2028	90,000.00	471,570.00	561,570.00
2029	90,000.00	465,090.00	555,090.00
2030	95,000.00	458,610.00	553,610.00
2031	100,000.00	451,770.00	551,770.00
2032	100,000.00	444,370.00	544,370.00
2033	105,000.00	436,970.00	541,970.00
2034	110,000.00	429,200.00	539,200.00
2035	110,000.00	421,060.00	531,060.00
2036	120,000.00	412,920.00	532,920.00
2037	1,285,000.00	404,040.00	1,689,040.00
2038	1,335,000.00	308,950.00	1,643,950.00
2039	1,390,000.00	210,160.00	1,600,160.00
2040	<u>1,450,000.00</u>	<u>107,300.00</u>	<u>1,557,300.00</u>
TOTAL	\$7,390,000.00	\$13,677,633.92	\$21,067,633.92

## THE SERIES 2010-T BONDS

### Description

The Series 2010-T 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 2010-T 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, 2011, and will mature on the dates and in the amounts set forth on the cover page hereof. The Series 2010-T Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. The Series 2010-T Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2010-T Bond will have more than one maturity date. The Series 2010-T Bonds will be issued only as one fully registered Series 2010-T Bond for each maturity of the Series 2010-T Bonds, in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See APPENDIX G—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

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

Each Series 2010-T 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, 2011, in which event it will bear interest from the date of delivery of the Series 2010-T Bonds; provided, however, that if, as of the date of authentication of any Series 2010-T Bond, interest thereon is in default, such Series 2010-T Bond will bear interest from the date to which interest has previously been paid in full.

Interest on the Series 2010-T 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 2010-T 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 2010-T Bonds. The principal of the Series 2010-T Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See APPENDIX G—“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

## Redemption

**Optional Redemption.** The Series 2010-T Bonds are subject to redemption, at the option of the Agency on any date on or after September 1, 2020, as a whole or in part, by such maturities as shall be determined by the Agency, and by lot within a maturity, from any available source of funds, at the principal amount of the Series 2010-T Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption without premium, without premium.

**Optional Make-Whole Redemption.** The Series 2010-T 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, as set forth in a Written Request of Agency, in such order of maturity as the Agency determines (and by lot within a maturity), at a redemption price (specified by the Agency to the Trustee) equal to the Optional Make-Whole Redemption Price. The “Optional Make-Whole Redemption Price” means the amount (specified by the Agency to the Trustee) equal to the greater of the following:

- (A) the greater of:
  - (1) the issue price of the Series 2010-T Bonds (as set forth in the Bond Purchase Contract between the Agency and the Underwriters relating to the Series 2010-T Bonds), to be redeemed; or
  - (2) the principal amount of the Series 2010-T Bonds, as applicable, to be redeemed; or
- (B) the sum of the present value of the remaining scheduled payments of the principal of and interest on the Series 2010-T Bonds to be redeemed to the maturity date of such Series 2010-T Bonds or not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010-T Bonds are to be redeemed, discounted to the date on which the Series 2010-T Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined below), plus 100 basis points; *plus*, in each case, accrued interest on the Series 2010-T Bonds to be redeemed to the date of redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Series 2010-T Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation-indexed securities) or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the Series 2010-T Bonds to be redeemed; provided, however that if the period from the redemption date to the maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

**Mandatory Sinking Fund Redemption.** The Bonds that are Term Bonds and maturing September 1, 2030 shall also be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year, commencing September 1, 2012, as set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to the Indenture, and (y) if some but not all of such Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such 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 shall be given by the Agency to the Trustee).

Term Bonds of 2030

<u>September 1</u>	<u>Principal Amount</u>	<u>September 1</u>	<u>Principal Amount</u>
2012	\$50,000	2022	\$65,000
2013	50,000	2023	70,000
2014	50,000	2024	75,000
2015	50,000	2025	80,000
2016	55,000	2026	80,000
2017	60,000	2027	80,000
2018	60,000	2028	90,000
2019	60,000	2029	90,000
2020	60,000	2030 <sup>†</sup>	95,000
2021	65,000		

<sup>†</sup> Maturity.

Giving effect to the mandatory sinking fund redemption set forth above, the average life of the Term Bonds of 2030 calculated from the Closing Date is 11.939 years.

The Bonds that are Term Bonds and maturing September 1, 2040 shall also be subject to mandatory redemption in whole, or in part by lot, on September 1 in each year, commencing September 1, 2031, as set forth below, from sinking fund payments made by the Agency to the Principal Account pursuant to the Indenture, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (x) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to the Indenture, and (y) if some but not all of such Term Bonds have been redeemed pursuant to subsection (a) above, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such 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 shall be given by the Agency to the Trustee).

Term Bonds of 2040

<u>September 1</u>	<u>Principal Amount</u>
2031	\$100,000
2032	100,000
2033	105,000
2034	110,000
2035	110,000
2036	120,000
2037	1,285,000
2038	1,335,000
2039	1,390,000
2040 <sup>†</sup>	1,450,000

<sup>†</sup> Final Maturity.

Giving effect to the mandatory sinking fund redemption set forth above, the average life of the Term Bonds of 2040 calculated from the Closing Date is 27.831 years.

***Extraordinary Optional Redemption.*** In addition to be subject to redemption as provided in (a), (b) and (c) above, the Bonds are subject to redemption prior to their maturity, upon the occurrence of an Extraordinary Event (as defined below), at the option of the Agency, from any source available for such purpose, in whole or in part on any date, as set forth in a Written Request of Agency, in such order of maturity as the Agency determines (and by lot within a maturity), at the “Extraordinary Optional Make-Whole Redemption Price.” The “Extraordinary Optional Make-Whole Redemption Price” means the amount (specified by the Agency to the Trustee) equal to the greater of the following:

- (i) the greater of:
  - (A) the issue price of the Bonds (as set forth in the Bond Purchase Contract between the Agency and the Underwriters relating to the Bonds); or
  - (B) the principal amount of the Bonds to be redeemed; or
- (ii) the sum of the present value of the remaining scheduled payments of the principal of and interest on the Bonds to be redeemed to the maturity date of such Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Bonds are to be redeemed, discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (as defined above), plus 100 basis points; *plus*, in each case, accrued interest on the Bonds to be redeemed to the date of redemption.

An “Extraordinary Event” will have occurred if the Agency determines that a material adverse change has occurred to Section 54AA, 1400U-2 or 6431 of the Tax Code or there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such Sections or any other determination by the Internal Revenue Service or the United States Treasury, which determination is not the result of any act or omission by the Agency to satisfy the requirements to qualify to receive the Refundable Credits from the United States Treasury, pursuant to which the Agency’s Refundable Credits (referred to herein as Direct Payments) from the United States Treasury are reduced or eliminated.

***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 2010-T 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 2010-T Bonds Outstanding are redeemed, the Series 2010-T Bonds to be redeemed will be selected by the Agency; provided, however, if less than all of the Series 2010-T Bonds of a given maturity are redeemed, the Series 2010-T Bonds of such maturity to be redeemed will be redeemed by lot in any manner which the Trustee, in its sole discretion, deems appropriate and fair; provided that the portion of any Series 2010-T Bonds to be redeemed are required to be in authorized denominations and all Series 2010-T Bonds of a maturity to remain Outstanding following any redemption are required to be in authorized denominations.

***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 2010-T Bonds so called for redemption will have been duly deposited with the Trustee, such Series 2010-T 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.

## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS**

### **Tax Allocation Financing**

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

### **Allocation of Taxes**

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

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

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

When all bonds, loans, advances, and indebtedness, if any, and interest thereon, have been paid, all moneys thereafter received from taxes upon the taxable property in the Project Area will be paid into the funds of the respective taxing agencies as taxes on all other property are paid. See “– Tax Revenues,” below.

### **Tax Revenues; Pledge of Second Lien Tax Revenues**

*General.* Under the Indenture, the Agency pledges Second Lien Tax Revenues to repayment of the Series 2010-T Bonds and any Parity Debt. The Indenture defines Second Lien Tax Revenues to mean Tax Revenues (described below) available annually following payment, or provision for payment, of all amounts due with respect to the Series 2006C Bonds in the applicable year. The Agency’s Series 2006C Bonds are secured by a first lien and pledge of such Tax Revenues. See “DEBT SERVICE COVERAGE.”

The Bonds and any Parity Debt will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Redemption Account and the Reserve Account (except with respect to Qualified Reserve Account Credit Instruments available to pay debt service only with respect to a particular Series of Bonds), without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Second Lien 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 2010-T Bonds, provided, however, that the Agency has pledged the Direct Payments for repayment of the Series 2010-T Bonds. (See “–Direct Payment” below.) Further, under the Indenture, the Direct Payments relating to the Series 2010-T Bonds are pledged only to the payment of debt service on the Series 2010-T Bonds.

Under the Indenture, the Agency may incur additional loans, advances or indebtedness on a parity with the Bonds (“Parity Debt”), which Parity Debt will be equally secured on a parity with the Bonds by a pledge of and security interest in and lien on all of the Second Lien Tax Revenues and the moneys in the Special Fund without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, and, if applicable under any Supplemental Indenture, any Parity Debt issued as Bonds will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund (including the Reserve Account). See “–Additional Parity and Subordinate Debt” below. See also APPENDIX D–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

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

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

The Agency’s receipt of Tax Revenues is subject to certain limitations (the “Plan Limit”) contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As described under the caption “LIMITATIONS ON TAX REVENUES—Tax Increment Revenue Limitation,” the Agency’s collection of Tax Revenues in the Project Area is subject to limitations of the total tax increment collected by the Agency over the life of the Redevelopment Plan.

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues, and therefore the amount of Second Lien Tax Revenues, that would otherwise be available to pay debt service on the Series 2010-T Bonds and, consequently, the principal of, and interest on, the Series 2010-T Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “SPECIAL RISK FACTORS” and “LIMITATIONS ON TAX REVENUES.”

THE SERIES 2010-T 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 2010-T 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 2010-T 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 2010-T BONDS ARE LIABLE PERSONALLY ON THE SERIES 2010-T BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

In consideration of the acceptance of the Series 2010-T Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Agency and the Owners from time to time of the Series 2010-T Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency are for the equal and proportionate benefit, security and protection of all owners of the Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the Series 2010-T 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 2010-T Bonds or in the Indenture.

### **Outstanding Senior Debt**

The pledge of Second Lien Tax Revenues securing the Series 2010-T Bonds represents a pledge of Tax Revenues which is expressly subordinate to the pledge thereof securing the Redevelopment Agency of the City of Oakland Tax Allocation Bonds, Series 2006C-TE (the “Series 2006C-TE Bonds”), and the Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the “Series 2006C-T Bonds” and, together with the Series 2006C-TE Bonds, the “Series 2006C Bonds”). See “DEBT SERVICE COVERAGE” below for a description of debt service on the Series 2006C Bonds.

The Agency has covenanted that it will not issue any additional bonds or other debt payable from Tax Revenues on a parity with the Series 2006C Bonds, other than refunding obligations which have lower Annual Debt Service than the Series 2006C Bonds refunded thereby (the “Refunded Series 2006C Bonds”) and (b) mature in whole no later than the final maturity date of the Refunded Series 2006C Bonds.

The Series 2010-T Bonds and any Parity Debt are referred to collectively herein as the “Bonds.” The Agency may issue other debt, payable on a parity with or subordinate to the payment of debt service on the Bonds subject to the conditions set forth in the Indenture. See “–Additional Parity and Subordinate Debt.”

### **Direct Payment**

**General.** In February, 2009, as part of the America Recovery and Reinvestment Act of 2009, Congress added several sections of the Internal Revenue Code of 1986, as amended (the “Code”), which permit state and local governments to obtain certain tax advantage when issuing taxable obligations that meet certain requirements of the Code. Such bonds are referred to as “Build America Bonds” and a category of Build America Bonds is Recovery Zone Economic Development Bonds.

Under the Code, an issuer of a Recovery Zone Economic Development Bonds may elect to receive a refundable credit payable in cash directly to the issuer (“Direct Payments”) from the United States Treasury Department equal to forty-five percent (45%) of the interest payable on each interest payment date. The issuer is required to file a federal tax form with the United States Treasury Department with respect to each interest payment date and should expect to receive the Direct Payment contemporaneously with the interest payment date on the bonds.

**The Series 2010-T Bonds as Recovery Zone Economic Development Bonds.** In accordance with ARRA, the City established the area within its limits as a “recovery zone.” The Agency confirmed the establishment of the Project Area as a recovery zone. Upon issuance of the Series 2010-T Bonds, the Agency will designate the Series 2010-T Bonds as recovery zone economic development bonds and make an irrevocable election to treat the Series 2010-T Bonds as Build America Bonds. As a result of this

designation and election, interest on the Series 2010-T Bonds will be included in gross income for federal income tax purposes.

The Agency will apply to receive Direct Payments from the United States Treasury Department. Such Direct Payments are pledged to payment of debt service on the Series 2010-T Bonds. Although the Agency intends to apply the Direct Payments toward the payment of debt service on the Series 2010-T Bonds, the receipt of any Direct Payment is subject to certain requirements and the Agency is obligated to pay the principal of and interest on the Series 2010-T Bonds regardless of whether it receives any Direct Payment.

No assurance can be given that the Agency will receive Direct Payments with respect to the Series 2010-T Bonds. Direct Payments will only be paid if the Series 2010-T Bonds continue to comply with certain covenants with respect to the use and investment of proceeds thereof and the use of property financed thereby. The Indenture contains certain covenants of the Agency designed to maintain the continuing eligibility of the Series 2010-T Bonds for Direct Payments. See “SPECIAL RISK FACTORS—Risks Related to Direct Payments.”

### **Reserve Account**

On the date of delivery of the Series 2010-T Bonds, a portion of the Series 2010-T Bond proceeds will be deposited into the Reserve Account to fund the Reserve Requirement attributable to the Series 2010-T Bonds. On the date of issuance, the Reserve Requirement for the Series 2010-T Bonds will be \$716,830, which is equal to 10% of the total of the proceeds of the Series 2010-T Bonds. In the event that amounts on deposit in the Interest Account or the Principal Account are insufficient to pay debt service on the Series 2010-T Bonds, the amounts so deposited will be available to pay debt service on the Series 2010-T Bonds. The amounts deposited into the Reserve Account may, if so provided in a supplemental indenture authorizing the issuance of Parity Debt, be used to pay debt service on such Parity Debt. See APPENDIX D—“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—The Reserve Account.”

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

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

the written records of the County), at least equal the requirements for issuance of Parity Debt under the Indenture. See “–Additional Parity and Subordinate Debt.”

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

In determining the amount of interest coming due during any Bond Year on any Series of Bonds with respect to which the Agency is entitled to receive direct payment of Refundable Credits, the amount of the Refundable Credits the Agency is scheduled to receive during each such Bond Year shall be deducted from such interest.

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

All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Series 2010-T Bonds then Outstanding, except that so long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the fifth Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency will have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Reserve Account may be satisfied with the acquisition of a financial instrument meeting the requirements of a “Qualified Reserve Account Credit Instrument” set forth in APPENDIX D–“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more Series of Bonds and not all of the Bonds at any time Outstanding, a separate subaccount in the Reserve Account shall be established for such Series and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such Series of Bonds.

### **Additional Parity and Subordinate Debt**

*Issuance of Parity Debt.* In addition to the Bonds, the Agency may issue Parity Debt payable from Tax Revenues to finance and/or refinance redevelopment activities with respect to the Project in such principal amount as will be determined by the Agency. See APPENDIX D–“SUMMARY OF CERTAIN



PROVISIONS OF THE INDENTURE—Pledge of Revenues; Creation of Special Funds and Accounts.” The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

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

(b) Except as provided in (g) below, for each Bond Year during which the Parity Debt proposed to be issued is scheduled to be outstanding, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the Agency, and (ii) inclusive of (A) Additional Revenues, but assuming no growth in assessed values of property in the Project Area, and (B) the Refundable Credits to be received in each such Bond Year based on the Build America Bonds that are outstanding after the issuance of such Parity Debt, shall be at least equal to one hundred twenty five percent (125%) of the sum of (x) Series 2006C Annual Debt Service (defined below) and (y) Annual Debt Service (calculated without regard to the deduction therefrom of Refundable Credits set forth in the definition thereof, and including within such Annual Debt Service, the amount of annual debt service on the Parity Debt then proposed to be issued or incurred) for each year that the Parity Debt proposed to be issued is scheduled to be outstanding;

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

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

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds (including, for purposes of calculation, such amounts with respect to the Series 2006C Bonds), other outstanding Additional Parity and Subordinate Debt coming due and payable following the issuance of such Parity Debt;

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

(g) The requirements described under this caption shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Series 2010-T Bonds or any other outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Series 2010-T Bonds or Parity Debt, or portion thereof, proposed to be refunded; and

(h) The Agency shall receive an opinion of national recognized bond counsel stating: (i) that the issuance of the Parity Debt has been sufficiently and duly authorized by the Agency; (ii) that the issuance of the Parity Debt is authorized by the Law and this Indenture; (iii) that the Parity Debt when issued, will be valid and binding obligations of the Agency, payable from Second Lien Tax Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Parity Debt; (iv) that upon the issuance of the

Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount at the time permitted by law or the then limits of indebtedness of the Agency, if any; (v) if the Parity Debt are to be tax-exempt, that the interest on the Parity Debt will be excluded from the gross income of the Owners thereof for federal income tax purposes; and (vi) that the issuance of such Parity Debt will not, of itself, cause interest on the outstanding Bonds that are tax exempt to become includable in gross income for federal income tax purposes or cause the outstanding Bonds that are Build America Bonds to lose their designation as Build America Bonds.

For purpose of the calculation described above in clause (b) above “Series 2006C Bonds Annual Debt Service” means for the Series 2006C Bond Year, the sum of (a) the interest payable on the Outstanding Series 2006C Bonds in such Bond Year, assuming that the Outstanding serial Series 2006C Bonds are retired as scheduled and that the Outstanding term Series 2006C Bonds are redeemed from sinking account payments as scheduled, (b) the principal amount of the Outstanding serial Series 2006C Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding term Series 2006C Bonds scheduled to be paid or redeemed from sinking account payments in such Bond Year, excluding the redemption premiums (if any) thereon. “Series 2006C Bond Year” means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1.

***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 Second Lien 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 Second Lien Tax Revenues for security of the Series 2010-T Bonds (“Subordinate Debt”), in such principal amount as will be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Second Lien 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 Series 2006C Bonds, Outstanding Bonds, Additional Parity and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and

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

## **LIMITATIONS ON TAX REVENUES**

The Series 2010-T 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 2010-T Bonds is affected by several factors, including but not limited to those discussed below. See also “SPECIAL RISK FACTORS.”

### **Property Tax Collection Procedures**

***Classifications.*** In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the

assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by a county becomes a lien on that property. A tax levied on unsecured property does not become a lien against the unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of such other liens.

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

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

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

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

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

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

subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. See “THE PROJECT AREA.”

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

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

### **Property Tax Limitations - Article XIII A**

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

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

In the general election held November 4, 1986, voters of the State approved two measures, Propositions 58 and 60, which further amended Article XIII A. Proposition 58 amended Article XIII A to provide that the terms “purchase” and “change of ownership”, for the purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between

spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children. This amendment to Article XIII A may reduce the rate of growth of local property tax revenues.

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

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

### **Article XIII B of the California Constitution**

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

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

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

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

### **Articles XIII C and XIII D of the California Constitution**

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the California Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Series 2010-T Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218.

### **Proposition 87**

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt

service on bonded indebtedness issued by a taxing entity (not the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Because this provision is not retroactive, such bonded indebtedness approved prior to January 1, 1989 will continue to provide tax overrides to the Agency so long as such indebtedness remains outstanding. See “THE PROJECT AREA–Tax Rates.”

### **Unitary Property**

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

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

Chapters 1457 and 921 provide for redevelopment agencies to receive their appropriate share of revenue generated from the property assessed by the State Board of Equalization. For Fiscal Year 2009-10, \$1,695 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

### **Redevelopment Time Limits**

**AB 1290.** In 1993, the State Legislature passed AB 1290, which, among other things, required redevelopment agencies to adopt time limits in each redevelopment plan specifying: 1) the last date to incur debt for a redevelopment project; 2) the last date to undertake redevelopment activity within a project area; and 3) the last date to collect tax increment revenue from a project area to repay debt.

The Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency’s tax increment revenue must be shared with all taxing entities within the Project Area. See “THE PROJECT AREA–Statutory Tax Sharing” and APPENDIX C–“VII-STATUTORY TAX SHARING OBLIGATIONS.”

**SB 211.** In 2001, the California Legislature enacted SB 211, Chapter 741, Statutes 2001, effective January 1, 2002 (“SB 211”), which authorized, among other things, a legislative body to delete by ordinance the AB 1290 limitation on incurring indebtedness contained in a redevelopment plan adopted prior to January 1, 1994. In addition, SB 211 allows redevelopment agencies to extend the termination date of their redevelopment plans and the deadline for the receipt of tax increment for the repayment of debt by 10 years for project areas established prior to January 1, 1994. In order to extend the termination of the redevelopment plans or the deadline for the receipt of tax increment for the

repayment of debt, the redevelopment agency is required to make certain findings of blight in the applicable project areas. If a redevelopment agency elects to extend the time limits on the incurrence of debt, the termination of the redevelopment plans or the deadline for the receipt of tax increment for the repayment of debt, the redevelopment agency is required to make certain additional statutory pass through payments to other taxing entities.

**SB 1045; SB 1096.** Senate Bill 1045, Chapter 260, Statutes 2003, effective September 1, 2003 (“SB 1045”) provides, among other things, that, for the purpose of determining whether the limit on the tax increment revenue that may be allocated to the Agency has been reached, the aggregate amount of Education Revenue Augmentation Fund (“ERAF”) payments made by the Agency in prior fiscal years from tax increment revenue may be deducted from the amount of tax increment revenue deemed to have been received by the Agency. SB 1045 also permits the redevelopment plan to be amended to add one year to the duration of the plan and to the period for collection of tax increment revenues and the repayment of debt. The Agency has not yet exercised this extension ability but plans to in the future.

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

Under Legislation adopted in 2009, redevelopment agencies were required to make a “supplemental” ERAF payment in Fiscal Year 2009-10, and following such payment were permitted a one-year extension of the AB 1290 time limits. See “SPECIAL RISK FACTORS—State Budget Deficits and ERAF.” The Agency has not yet exercised this extension ability but plans to in the future.

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

### **Low and Moderate Income Housing Fund**

Under Section 33334.2 of the Redevelopment Law, redevelopment agencies in California are generally required, unless certain annual findings are made, annually to set aside 20% of all property tax increment revenues allocated to the Agency pursuant to the Redevelopment Law and to deposit said revenues in a Low and Moderate Income Housing Fund (the “Housing Set-Aside”) to be used within the jurisdiction of the Agency to increase, improve, and preserve the community’s supply of low and moderate income housing. **Tax increment revenue required to be set aside for low and moderate income housing purposes is not included in Tax Revenues and is not available to pay debt service on the Series 2010-T Bonds.**

On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., which increased the Housing Set-Aside from 20% to 25% for those project areas in which the debt coverage ratio of the project area equals or exceeds 120%. The Resolution further provides that the increase in the Housing Set-Aside is subordinate to all existing and future tax allocation bonded indebtedness the Agency may

issue or incur for such project area, and that all Agency debt service (including debt service on the Series 2010-T Bonds) will be paid on a superior basis to the additional 5% housing set-aside.

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

### **Pass Through Obligations**

The Agency is obligated to pay a portion of the tax increment generated in the Project Area to taxing agencies within the boundaries of the Project Area. See “THE PROJECT AREA–Statutory Tax Sharing.” The Agency’s obligation to make pass through payments to these taxing agencies is subordinate to the Agency’s obligation to pay debt service on the Series 2010-T Bonds.

### **SB 2557**

SB 2557, enacted in 1990 (Chapter 466, Statutes of 1990) authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities that are subject to a property tax administration charge. The County collects property tax administration costs from the Agency by deducting such costs from tax revenues prior to delivering such amounts to the Agency. For Fiscal Year 2010-11 the County’s administrative fee for the Project Area is expected to be approximately 0.73% of Fiscal Year 2010-11 gross tax increment revenues.

### **Future Initiatives and Legislation**

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

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

## **SPECIAL RISK FACTORS**

*Investment in the Series 2010-T Bonds involves risks. The following information should be considered by prospective investors in evaluating the Series 2010-T Bonds. However, this is not an exclusive listing of risks and other considerations that may be relevant to investing in the Series 2010-T Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.*

*The various legal opinions to be delivered concurrently with the issuance of the Series 2010-T Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors’ rights, including equitable principles.*



## **Accuracy of Assumptions**

To estimate the revenues available to pay debt service on the Series 2010-T 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 Second Lien Tax Revenues available to pay debt service on the Series 2010-T Bonds will, in all likelihood, be less than those projected herein. See "DEBT SERVICE COVERAGE PROJECTIONS" and "THE PROJECT AREA—Projected Tax Revenues."

## **Reduction of Tax Revenues**

Tax increment revenue allocated to the Agency is determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as a downturn in the local economy, relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Revenues that secure the Bonds. Such reduction of Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Series 2010-T Bonds.

As described in greater detail under "LIMITATIONS ON TAX REVENUES—Property Tax Limitations—Article XIII A" below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Second Lien Tax Revenues securing the Series 2010-T Bonds.

In addition to the other limitations on and State required set-asides of tax increment revenue described in this Official Statement under "LIMITATIONS ON TAX REVENUES," the State electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing tax increment revenues payable to the Agency. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the tax increment revenue and adversely affect the security of the Series 2010-T Bonds.

## **Reductions in Unitary Values**

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the County-wide unitary values assigned to public utilities was allocated to the Project Area. For Fiscal Year 2009-10, \$1,695 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 Second Lien Tax Revenues. The extent of any such impact would depend on the proportion of the Project Area's unitary revenue to the total tax revenues generated in the Project Area. For further

information concerning unitary values, see “LIMITATIONS ON TAX REVENUES–Property Tax Collection Procedures” and “–Unitary Property.”

### **Appeals to Assessed Values**

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the County Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the County Assessor is reduced, the valuation of the property cannot increase in subsequent years more than two percent annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

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

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

### **Risks Related to Direct Payments**

As discussed below under “TAX MATTERS,” the Agency must comply with certain requirements of the Code in order for the obligations represented by the Series 2010-T Bonds to be treated as “recovery zone economic development bonds” and to continue to be eligible for the Direct Payments. The Agency has covenanted to comply with each of these requirements. However, failure by the Agency to comply with these requirements may result in a delay or forfeiture of all or a portion of the Direct Payments and may cause the obligations represented by the Series 2010-T Bonds to cease to be treated as recovery zone economic development bonds” either prospectively from the date of determination of a failure to comply with the requirements or retroactively to the date of issuance of the Series 2010-T Bonds. Should such an

event occur, the Series 2010-T Bonds would be subject to extraordinary optional redemption. See “THE 2010-T BONDS–Redemption.”

The United States Treasury Department may offset any Direct Payment to which the Agency is otherwise entitled against any other tax liability of the Agency payable to the United States Treasury Department, such as withholding or payroll taxes, or other penalties or interest that may be owed at any time to the United States Treasury Department. The Agency’s entitlement to receive Direct Payments is also subject to audit by the Internal Revenue Service.

Recovery zone economic development bonds are a new product introduced by the American Recovery and Reinvestment Act, which was signed into law on February 17, 2009. The Agency can provide no assurance that future legislation or clarifications or amendments to the Code, if enacted into law, or future court decisions will not reduce or eliminate the Direct Payments with respect to the Series 2010-T Bonds. The Direct Payments do not constitute a full faith and credit guarantee of the United States government, but are required to be paid by the United States Treasury Department under the American Recovery and Reinvestment Act.

The Agency is obligated under the Indenture to make pay the principal of, and interest on, the Series 2010-T Bonds without regard to the receipt or deposit of Direct Payments.

### **Hazardous Substances**

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

### **Reduction in Inflation Rate**

As described in greater detail in this Official Statement, Article XIII A of the California Constitution provides that the full cash value of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. Because Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Any resulting reduction in the full cash value base over the term of the Series 2010-T Bonds could reduce Tax Revenues. See “LIMITATIONS ON TAX REVENUES–Property Tax Rate Limitations-Article XIII A.”

### **Levy and Collection of Taxes**

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Series 2010-T Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency’s ability to make timely debt service payments. The County

has elected to follow the procedures of the Teeter Plan, pursuant to which it allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, there can be no assurance the County will continue such practice. See “THE PROJECT AREA–Teeter Plan.”

### **Bankruptcy and Foreclosure**

The payment of the tax increment revenue and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors’ rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Series 2010-T Bonds (including Bond Counsel’s approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

Although bankruptcy proceedings would not cause the liens to become extinguished, bankruptcy of a property owner could result in a delay in prosecuting superior court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2010-T Bonds and the possibility of delinquent tax installments not being paid in full.

### **Factors Relating to Sub-Prime Loans**

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

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

### **Concentration of Property Ownership in Project Area**

The top ten property owners in the Project Area own property having assessed valuation equal to 35.30% of incremental value in the Project Area. See Table 4. Accordingly, a decline in the assessed valuation of one or more of these properties could reduce Second Lien Tax Revenues significantly. This concentration of ownership presents a risk in that, if one or more of the largest property owners in the Project Area were to default on their taxes or were to successfully appeal the tax assessments on their property within the Project Area, a substantial decline in Second Lien Tax Revenues could occur.

### **State Budget Deficit and ERAF**

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

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

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

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

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

On April 30, 2009, the Superior Court filed a ruling (the “ERAF Ruling”) in favor of the plaintiffs and held that the required ERAF transfers from redevelopment agency revenues was unconstitutional. The State appealed the ERAF Ruling, but later withdrew such appeal. As a result, the Agency was not responsible for an ERAF payment in Fiscal Year 2008-09.

**Fiscal Year 2009-10 and 2010-11.** In July, 2009 the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State’s budget deficit. Under this legislation the redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and another \$350 million in 2010-11 into their county’s “Supplemental” ERAF. Under this legislation the Agency was required to pay \$41,114,526 by May 10, 2010 and it will further be required to pay an amount estimated to be \$8,464,755 in May, 2011. The amount to be paid by the Agency in May, 2011 has not been finally determined by the State Department of Finance.

**Future ERAF Payments.** For the purpose of projecting future Tax Revenues, the Fiscal Consultant has assumed no ERAF transfers in future fiscal years. However, the State’s structural deficit has yet to be resolved, the State’s projected budget deficits continue to be substantial and these deficits may lead to subsequent ERAF transfers (if the ERAF Ruling is overturned) or other actions which might reduce the Agency’s Revenues and the Agency’s ability to pay principal and interest on the Bonds and Parity Obligations.

Future legislation, litigation and other measures affecting the Agency’s receipt of Revenues in connection with the State budget situation cannot be predicted and may materially and adversely affect the Agency’s ongoing ability to pay principal and interest on the Bonds and Parity Debt. Prospective purchasers of the Series 2010-T Bonds may wish to review information presented by the State at [www.dof.ca.gov](http://www.dof.ca.gov) (maintained by the State Department of Finance) and [www.lao.ca.gov](http://www.lao.ca.gov) (analysis by the State Office of the Legislative Analyst). The Agency does not prepare such information and cannot assume any responsibility for its accuracy, completeness or timeliness (or the continued accuracy of internet address information). Whether or not this information is accurate, complete or timely, prospective purchasers of the Series 2010-T Bonds should observe that the posting or release of such

information may change the perceived outlook for the Agency's continued receipt of Revenues and thus the market price for the Bonds.

### **Seismic Factors**

The assessed valuation of properties in the Project Area could be substantially reduced as a result of a major earthquake proximate to the Project Area. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Project Area. The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault, resulted in substantial damage to the infrastructure and property in the City. In addition to the San Andreas Fault, faults that could affect the Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. If there were to be an occurrence of severe seismic activity in the Project Area, there could be a negative impact on assessed values of taxable values of property in the Project Area and could result in a reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the Series 2010-T Bonds.

### **Natural Gas Transmission Pipelines**

On September 9, 2010 a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous similar pipelines owned, operated and maintained by PG&E located throughout the City, including within the Project Area.

PG&E's website ([www.pge.com](http://www.pge.com)) provides information regarding its high pressure natural gas transmission pipelines and its long range natural gas transmission pipeline planning. This information is summarized below.

According to its website, PG&E has a comprehensive inspection and monitoring program to ensure the safety of its natural gas transmission pipeline system, and uses a risk management program that inventories each of the 20,000 segments within PG&E's natural gas transmission pipeline system and evaluates them against criteria such as:

- the potential for third party damage like dig-ins from construction,
- the potential for corrosion,
- the potential for ground movement, and
- the physical design and characteristics of the pipe segment.

PG&E has also indicated that it considers the proximity of its natural gas transmission pipelines to high density populations, potential reliability impacts and environmentally sensitive areas, and uses the data it collects to help plan and prioritize future work.

Based on all of these factors, PG&E determines which segments warrant further evaluation, monitoring or other future action. PG&E has created a list of the "Top 100" segments to help inform future work plans (although it should be noted that the pipeline that caused the explosion in the City of San Bruno was not on the Top 100 list). As conditions change from year to year, PG&E reevaluates the

segments included on the list. This list can be found on PG&E's website at: [http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning\\_segments.pdf](http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning_segments.pdf).

A pipeline segment may be placed into planning for further study and long-range planning based upon its risk for one of five factors:

- Potential for Third-Party Damage,
- Potential for Corrosion,
- Potential for Ground Movement,
- Physical Design and Characteristics, and
- Overall (did not score high in any one factor of the above factors, but scored moderately high in more than one factor).

As noted above, additional information may be found on PG&E's website, specifically at [http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning\\_segments.pdf](http://www.pge.com/includes/docs/pdfs/myhome/customerservice/response/planning_segments.pdf).

The City is not able to independently confirm the information set forth above or the information contained on the PG&E website with respect to PG&E's pipelines, and can provide no assurances as to its accuracy or completeness. Further, the City can provide no assurances as to the condition of PG&E pipelines in the City, or predict the extent of the damage to the surrounding property that would occur if a PG&E pipeline located within the City were to explode.

### **Changes in the Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the Redevelopment Law or other laws or the Constitution of the State resulting in a reduction of Revenues, and consequently, have an adverse effect on the Agency's ability to pay debt service on the Series 2010-T Bonds.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Series 2010-T Bonds or, if a secondary market exists, that the Series 2010-T Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Statement of Indebtedness**

Under Redevelopment Law, the Agency must file with the County a statement of indebtedness for the Project Area by October 1, each year. The statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year. See "LIMITATIONS ON TAX REVENUES—Property Tax Collection Procedures—Filing of Statement of Indebtedness." In the event the Agency was to fail to file an annual statement of indebtedness, the Agency's activities could be severely restricted.

## **Parity Obligations**

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS—Additional Parity and Subordinate Debt,” the Agency may issue or incur obligations payable from Tax Revenues on parity with its pledge of Tax Revenues to payment of debt service on the Series 2010-T 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 2010-T Bonds in the event of a decrease in the Agency’s collection of Tax Revenues.

## **Series 2010-T Bonds are Limited Obligations**

The Series 2010-T 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 2010-T 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 2010-T 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 2010-T BONDS.” No Owner of the Series 2010-T 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 2010-T Bonds.

## **Limited Recourse on Default**

If the Agency defaults on its obligations to make debt service payments on the Series 2010-T Bonds, the Trustee, as assignee of the Agency, has the right to accelerate the total unpaid principal amount of the Series 2010-T 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 2010-T Bonds.

## **THE AGENCY**

### **Members, Authority and Personnel**

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

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

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



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

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

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

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

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

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

## **Powers**

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

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

Redevelopment in the State of California is carried out pursuant to the Community Redevelopment Law (Section 33000 et seq. of the Health and Safety Code). Section 33020 of the Redevelopment Law defines redevelopment as the planning, development, replanning, redesign, clearance, reconstruction or rehabilitation, or any combination of these, of all or part of a survey area and the provision of such residential, commercial, industrial, public or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

The Agency may, out of the funds available to it for such purposes, pay for all or part of the value of the land and the cost of buildings, facilities, structures or other improvements to be publicly owned and operated to the extent that such improvements are of benefit to the project area and no other reasonable means of financing is available.

The Agency must sell or lease remaining property within a project area for redevelopment by others in strict conformity with the redevelopment plan, and may specify a period within which such redevelopment must begin and be completed.

In accordance with these criteria the Agency has adopted Redevelopment Plans in designated project areas that authorize the use of the redevelopment process and procedures.

The Agency pays a portion of the City's personnel and pension costs based upon the time spent on Agency business by specific employees. The amounts contributed by the Agency can vary substantially from year to year. See APPENDIX A—"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND—FINANCIAL INFORMATION—Agency Pension Obligation" for a summary of the City's personnel and pension costs as of June 30, 2009.

### **Agency Finances**

The Agency's audited financial statements for the Fiscal Year ending June 30, 2009, are found in APPENDIX B. The Agency's audited financial statements for the Fiscal Year ending June 30, 2009 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.*

## **THE PROJECT AREA**

### **General**

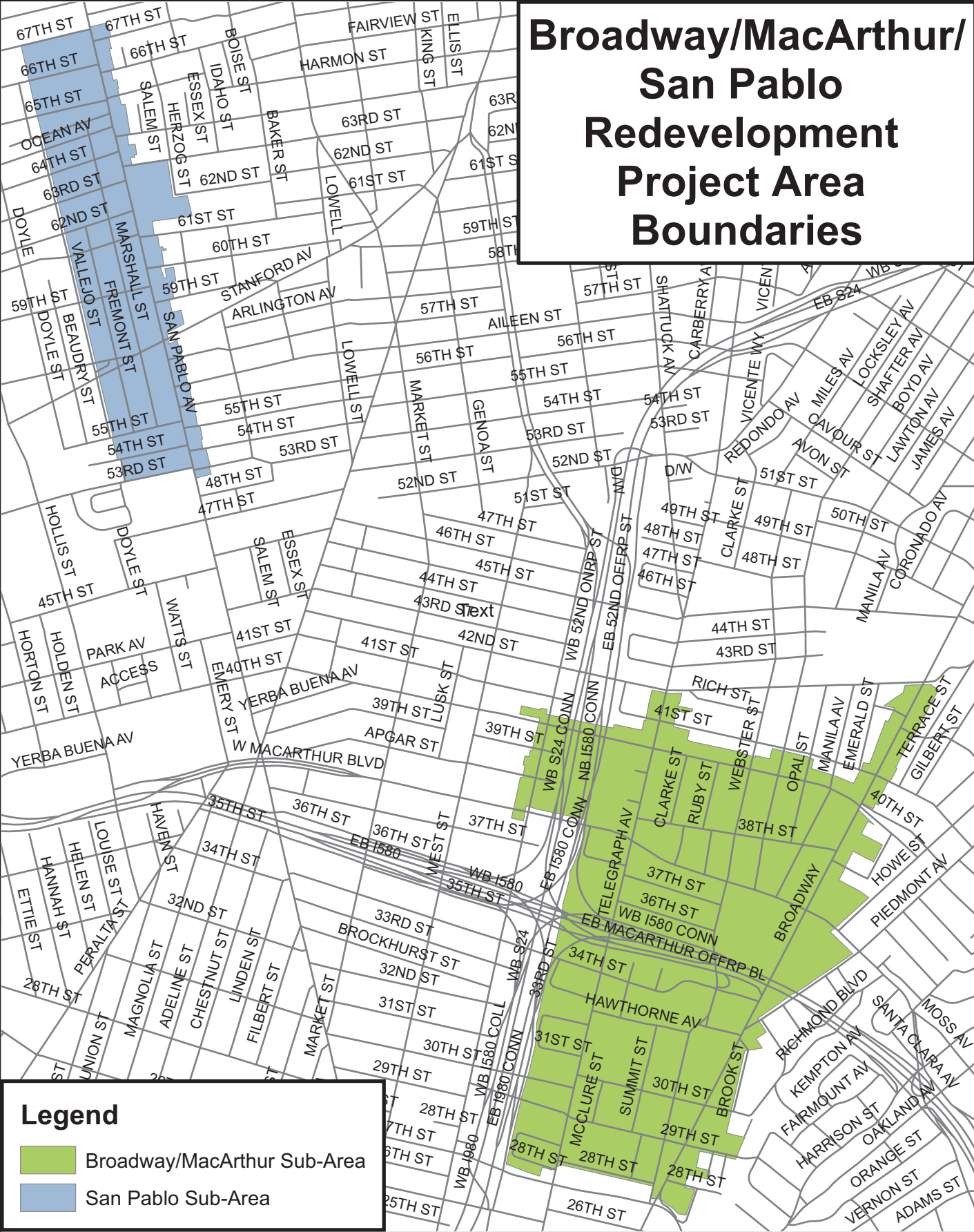
The Project Area, formed in 2000, consists of two distinct areas in northern Oakland and is comprised of 676 acres. The Broadway/MacArthur sub-area incorporates the Broadway Auto Row district, the Kaiser Hospital and Alta Bates Summit medical campuses and Telegraph Avenue between 27th and 42nd Streets. The San Pablo sub-area incorporates the Golden Gate neighborhood along San Pablo Avenue from 53rd to 67th Street.

The Project Area has a diverse array of land uses including two major medical campuses, the MacArthur BART Station regional public transit hub, auto dealerships along the historic Broadway Auto Row, and two neighborhood commercial districts including the Korea Town district of Telegraph Avenue and the Golden Gate district of San Pablo Avenue. In addition approximately 50 percent of the parcels in the area are residential, including a diverse mix of single family homes, duplexes, and larger multi-family developments.

Key elements of the redevelopment plan for the Project Area include in-fill development on underutilized properties, infrastructure upgrades, and support for catalyst projects, including the MacArthur Transit Village Project. Guidance for redevelopment activities in this project area is provided by a Project Area Committee, which has prioritized several key projects and activities in its five-year implementation plan, including the MacArthur Transit Village Project, Commercial Façade and Tenant Improvement Programs, infill development within the Project Area, upgrades to public facilities, and streetscape improvements on Telegraph Avenue, Broadway, 40th Street, West MacArthur Boulevard and San Pablo Avenue.

The map on the following page is of the Project Area.

# Broadway/MacArthur/ San Pablo Redevelopment Project Area Boundaries



**Legend**

- Broadway/MacArthur Sub-Area
- San Pablo Sub-Area

## **Action Areas**

Within the Project Area the primary focus for redevelopment activities has been in area surrounding the MacArthur BART Station and along the major commercial corridors in the Project Area, which include Telegraph Avenue, Broadway and San Pablo Avenue. The following Redevelopment Agency projects are currently underway or have been recently completed in these action areas:

***MacArthur Transit Village Project.*** The MacArthur Transit Village project involves the development of high-density housing and retail on the site of the existing BART parking lot and on adjacent private parcels at the MacArthur BART Station. The project will include 624 residential units and 42,500 square feet of commercial space. 108 of the units will be below-market rate rentals and the remainder will be market rate for-sale condominiums or rental projects. The project also includes the replacement of the existing surface BART parking lot with a replacement parking structure, new public streets, an intermodal transit center, and improvements to the surrounding streets. Construction is scheduled to start in 2011.

***3860-3884 Martin Luther King, Jr. Way.*** This project consists of 74-condominium units which will be developed on an Agency-owned property and the adjacent parcel. This project is located on the opposite side of the MacArthur BART Station from the MacArthur Transit Village site. Construction was completed on the first phase, which consisted of 34 units, in 2009. Construction of the second phase is scheduled to begin in 2011.

***40th Street Streetscape Project.*** This project includes pedestrian and bicycle-oriented streetscape improvements to 40th Street between Martin Luther King, Jr. Way and Telegraph Avenue, adjacent to the MacArthur BART Station. Construction was completed in 2009.

***San Pablo Avenue Pedestrian Streetlight Project.*** This project includes the installation of decorative pedestrian streetlights on San Pablo Avenue from 53rd to 67th Street. Construction is currently underway and is anticipated to be completed in November 2010.

***Broadway/Valdez Retail Specific Plan.*** The Broadway Auto Row district, located on Broadway between Grand Avenue and West MacArthur Boulevard, is the historic location of the automobile dealerships in Oakland. This district is going through a period of transition as auto dealerships consolidate or relocate to other areas of the City. The Broadway/Valdez District Specific Plan will establish guidelines to create a destination retail and mixed use development in this area.

The uncompleted projects set forth herein are in various stages of planning, design, approval and development. 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 will be completed. The projected Second Lien Tax Revenues available for Series 2010-T Bonds set forth under “DEBT SERVICE COVERAGE PROJECTIONS” and in Table 2 of APPENDIX C–“REPORT OF THE FISCAL CONSULTANT” do not include any revenues from any of the uncompleted projects.

## **Other Projects and Special Programs**

In addition to the specific projects mentioned above, the Agency has also initiated several programs that are available to target properties throughout the entire redevelopment project area. These programs include:

**Commercial Façade Improvement Program.** The Façade Improvement Program provides façade grants and architectural design assistance to commercial property owners and tenants located within the Project Area. The program offers matching grants on a one-to-one basis up to \$30,000 for improvements to storefronts including new signage, window repair and exterior painting.

**Tenant Improvement Program.** The Tenant Improvement Program is an incentive program that offers matching grants and free architectural design assistance to property and/or new business owners for tenant improvements to the interiors of vacant commercial spaces. The program provides matching grants on a one to one basis of up to \$10 dollars per square foot of commercial space, with a maximum grant award of \$45,000 per property. The program is only available for commercial spaces that have been vacant for six months or longer and have a prospective tenant.

**Neighborhood Project Initiative.** The program is a community grant program which funds small-scale, physical improvements within the redevelopment project area boundaries. The program grant awards are intended to support the blight reduction and beautification efforts of existing community and merchant organizations. Four rounds of the program have been held and have funded minor streetscape improvements and upgrades to public facilities within the project area, such as recreation centers, public parks, and libraries. The program also funded a few projects on private properties including security cameras for area businesses and a mural on the exterior of a private building.

### **Recent Developments in the Project Area**

In addition to the development projects listed above with which the Agency is assisting, there have been a number of recent private development projects within the Project Area including the following:

#### Recently Completed Projects:

- 6565 San Pablo: 33 for-sale units.
- 6501 San Pablo: 24 for-sale units.
- 6549 San Pablo: 61 for-sale units.
- 400 40th Street: 28 for-sale units.
- 485 West MacArthur Boulevard: 16 for-sale units.

#### Recently Approved Projects:

- 3414 Andover Street: 16 units
- 5300-5310 San Pablo Avenue: 32 for-sale units.
- 557 Merrimac: 40 for-sale units.
- 2935 Telegraph Avenue: 142 units.

**Kaiser Hospital Medical Campus Master Plan:** phased replacement of existing medical center with 1.78 million square feet of new development on 21 acres. The Master Plan was approved in June 2006. The first phase of construction, which included a new parking structure and a 165,000 square foot medical office building, was completed in 2009. The second phase of construction, a 1 million square foot replacement hospital, is now underway and will be completed in 2012. The third phase of the project will include the demolition of the existing hospital building and the construction of a new parking garage and 215,000 square foot medical office building on the site which will occur by 2015.

**Alta Bates Summit Medical Center Seismic Upgrade and Master Plan:** phased upgrade of existing medical facilities and construction of up to 384,100 square feet of additional building space. Included in the master plan is the conversion of the old hospital building into medical office space and construction of a new 175,000 medical office building. Approval of the Master Plan is anticipated in 2010

and the first phase of construction, which includes the new hospital building, is expected to be completed in 2013.

**Controls, Land Use and Building Restrictions**

The Redevelopment Plan for the Broadway/MacArthur/San Pablo Redevelopment Project (the “Redevelopment Plan”) designates five major use areas that cover the entire Redevelopment Project Area: commercial, public/institutional, residential, 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 the Agency with the power, duties, and obligations to implement the program developed within the Plan for the redevelopment, rehabilitation and revitalization of the area within the boundaries of the Plan. Within the Plan boundaries, the Agency is empowered to employ various urban redevelopment, rehabilitation and revitalization techniques, including eminent domain.

**Redevelopment Plan Limitations**

The Project Area is subject to the following limitations: (i) the amount of the total bonded indebtedness for the Project Area supported in whole or in part with tax increment revenues that may be outstanding at any one time may not exceed \$100,000,000; (ii) the time limit to incur new debt is July 25, 2020; (iii) the Redevelopment Plan terminates on July 25, 2030; and (iv) the debt repayment limit is July 25, 2045. See also “LIMITATIONS ON TAX REVENUES–Redevelopment Plan Limitations.” Table 1 summarizes the Plan limitations for the Project Area.

**Table 1  
Redevelopment Agency of the City of Oakland  
Broadway/MacArthur/San Pablo Redevelopment Project Area  
Summary Plan Data**

Plan <u>Expiration</u>	Last Date to Incur <u>Net Debt</u>	Last Date to Repay Debt with <u>Tax Increment</u>	Tax Increment <u>Limit</u>	Limit on Outstanding <u>Bonded Debt</u>
July 25, 2030	July 25, 2020	July 25, 2045	No Limit	\$100,000,000

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

**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 Series 2010-T 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 1999-2000 assessment roll. 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."

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Table 2 below presents the taxable value of all property within the Project Area for fiscal years ended June 30, 2007 through June 30, 2011.

**Table 2**  
**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Property Taxable Values**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b><u>Gross Assessed Values</u></b>					
County Secured Roll	\$966,372,191	\$1,093,531,778	\$1,189,744,760	\$1,243,641,449	\$1,254,770,515
County Unsecured Roll	<u>47,237,877</u>	<u>47,075,224</u>	<u>50,412,977</u>	<u>50,740,427</u>	<u>50,097,387</u>
Total Gross Assessed Values	\$1,013,610,068	\$1,140,607,002	\$1,240,157,737	\$1,294,381,876	\$1,304,867,902
<b><u>Less Exemptions</u></b>					
County Secured Roll	\$336,577,832	\$367,610,773	\$398,996,346	\$495,003,494	\$513,695,253
County Unsecured Roll	<u>2,358,911</u>	<u>2,898,313</u>	<u>10,358,725</u>	<u>10,449,443</u>	<u>10,088,455</u>
Total Exemptions	\$338,936,743	\$370,509,086	\$409,355,071	\$505,452,937	\$523,783,708
<b><u>Net Assessed Values</u></b>					
County Secured Roll	\$629,794,359	\$725,921,005	\$790,748,414	\$748,637,955	\$741,075,262
County Unsecured Roll	44,878,966	44,176,911	40,054,252	40,290,984	40,008,932
Total net Assessed Values	\$674,673,325	\$770,097,916	\$830,802,666	\$788,928,939	\$781,084,194
<b><u>Base Year Values (1999-2000)</u></b>					
Secured	\$328,497,980	\$328,497,980	\$328,497,980	\$328,497,980	\$328,497,980
Unsecured	<u>33,937,669</u>	<u>33,937,669</u>	<u>33,937,669</u>	<u>33,937,669</u>	<u>33,937,669</u>
Total Base Year Values	\$362,435,649	\$362,435,649	\$362,435,649	\$362,435,649	\$362,435,649
<b><u>Increase Over Base-Year Values</u></b>					
Secured	\$301,296,379	\$397,423,025	\$462,250,434	\$420,139,975	\$412,577,282
Unsecured	<u>10,941,297</u>	<u>10,239,242</u>	<u>6,116,583</u>	<u>6,353,315</u>	<u>6,071,263</u>
Total Increase in Values	\$312,237,676	\$407,662,267	\$468,367,017	\$426,493,290	\$418,648,545

Source: Alameda County Auditor-Controller.

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Table 3 below reflects historical Tax Revenues received by the Project Area based on fiscal years ending June 30, 2006, through June 30, 2010. 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**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Tax Revenues Received**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Tax Increment Revenues	\$2,947,984	\$4,370,997	\$5,278,981	\$5,904,501	\$5,047,492
State Unitary Tax	454	473	(1,150)	1,715	1,862
<b>Gross Tax Revenues</b>	<b>\$2,948,438</b>	<b>\$4,371,470</b>	<b>\$5,277,831</b>	<b>\$5,906,216</b>	<b>\$5,049,354</b>
Less County Administration Fees	(17,766)	(19,368)	(44,367)	(35,088)	(36,348)
Less Housing Set-Aside (20%)	(589,688)	(874,294)	(1,055,566)	(1,181,243)	(1,009,871)
<b>Tax Revenues</b>	<b>\$2,340,984</b>	<b>\$3,477,808</b>	<b>\$4,177,898</b>	<b>\$4,689,885</b>	<b>\$4,003,135</b>
Less Pass Through Payments <sup>†</sup>	(589,688)	(874,294)	(1,055,566)	(1,181,243)	(1,009,871)
<b>Net Tax Revenues</b>	<b>\$1,751,296</b>	<b>\$2,603,514</b>	<b>\$3,122,332</b>	<b>\$3,508,642</b>	<b>\$2,993,264</b>

<sup>†</sup> Pursuant to subordination requests sent by the Agency to all affected tax entities on June 16, 2006, all taxing entities have agreed, or are deemed to have agreed, in accordance with the Redevelopment Law to subordinate the receipt of their tax sharing payments to debt service on the Series 2006C Bonds. Includes an additional housing set-aside in the amount of 5% of gross revenues, with payment subordinate to debt service.

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

### Principal Taxpayers

The following Table 4 lists the major taxpayers and type of business in the Project Area in terms of their 2010-11 assessed valuation:

**Table 4**  
**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**10 Largest Local Taxpayers**

<u>Property Owner</u>	<u>Number of Parcels Owned</u>	<u>Type of Business</u>	<u>2010-11 Total Assessed Value</u>	<u>% of Total Assessed Value</u>	<u>% of Incremental Value</u>
Alta Bates Summit Medical Center	35	Institutional	\$41,205,364	5.28%	9.84%
SKB Webster LLC and Broadway Saratoga	1	Commercial	26,460,726	3.39	6.32
Cascade Acceptance	47	Residential	15,215,337	1.95	3.63
Kaiser Foundation Hospitals	12	Institutional	13,555,712	1.74	3.24
Westpark II	1	Residential	9,836,856	1.26	2.35
6701 San Pablo	1	Industrial	9,471,111	1.21	2.26
Arthur Chan and Amphorn Trust	3	Industrial	9,370,096	1.20	2.24
Cotter and Coyle	3	Residential	8,105,144	1.04	1.94
Courthouse Associates	1	Residential	7,761,180	0.99	1.85
3640 Associates and BW30 Associates LP	4	Commercial	6,803,051	0.87	1.63
<b>TOTALS</b>	<b>108</b>		<b>\$147,784,577</b>	<b>18.92%</b>	<b>35.30%</b>

Source: Alameda County Assessor Secured Tax Rolls; HdL Coren & Cone.

## 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**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Project Area Land Use Categories**

<u>Category</u>	<u>Parcels</u>	<u>Assessed Value</u>	<u>%</u>
Residential	1,329	\$375,206,153	48.04%
Commercial	397	301,870,343	38.65
Industrial	41	34,830,776	4.46
Recreational	4	4,655,392	0.60
Institutional	23	3,487,593	0.45
Vacant	58	20,885,734	2.67
Exempt	37	0	0.00
SBE Non-Unitary Utilities <sup>†</sup>	—	139,271	0.02
Unsecured <sup>†</sup>	—	<u>40,008,932</u>	<u>5.12</u>
TOTAL	1,889	\$781,084,194	100.00%

<sup>†</sup> 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 9, 2010, approximately 5.43% of the 2006-07 value of the Project Area is under appeal. The estimated reductions in the Project Area's 2011-12 Assessed Values due to all pending assessment appeals is \$7,179,810. Based on the tax increment projections of the Fiscal Consultant, the 2011-12 assessed value within the Project Area is projected to be \$787,672,592. The estimated reduction in assessed value due to all pending assessment appeals in the Project Area is 0.91% of the projected 2011-12 assessed values. After the impact of the estimated reductions due to pending assessment appeals has been factored into the projection, the projected 2011-12 assessed value of the Project Area is \$780,456,882. See APPENDIX C—"REPORT OF THE FISCAL CONSULTANT."

## **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 Tax Rate 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 and the EBMUD Special District Override Tax Rate will be retired in 2015. The Fiscal Consultant has incorporated the appropriate retirement date for these pre-1989 Override Rates in its calculation of projected Tax Revenues. See APPENDIX C—"REPORT OF THE FISCAL CONSULTANT."

All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that are applied to secured value in the Project Area for 2010-11 are as follows (for additional information, see APPENDIX C—"REPORT OF THE FISCAL CONSULTANT" on Section IV.C):

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**Table 6**  
**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Tax Rates**

<u>Agency Eligible Tax Rates</u>	<u>%</u>	<u>Final Effective Fiscal Year</u>
General Levy	1.0000	
East Bay Regional Park 1	.0084	2019-20
EBMUD Special District 1	.0067	2014-15
City of Oakland	<u>.1575</u>	2025-26
TOTAL AGENCY ELIGIBLE TAX RATE:	1.1726	
<u>Non-Agency Eligible Tax Rates</u>	<u>%</u>	
Oakland U.S.D. Bonds	.1267	
Peralta Community College District	.0430	
Bay Area Rapid Transit	.0031	
City of Oakland	<u>.0632</u>	
TOTAL TAX RATE	1.4086	

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.

**Statutory Tax Sharing**

The Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Project Area. See Appendix C—"VII-Statutory Tax Sharing Obligations."

Section 33607.5(e) of the Law sets forth a procedure whereby the Agency may request subordination of the statutory tax sharing payments to payment of debt service on bonds secured by tax increment within a project area. As part of this request, the Agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination, or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Agency's financial

estimates are incorrect and that the Agency will not be able to make debt service and the tax sharing payments.

In connection with the issuance of the Series 2010-T Bonds, the Agency sent letters requested subordination of statutory tax payments to all affected taxing entities. All of such entities either expressly consented to the subordination or the 45 day period to disapprove the subordinate lapsed. All statutory tax sharing payments are subordinated to debt service on the Series 2006C Bonds and to debt service on the Series 2010-T Bonds.

### **Projected Tax Revenues**

The following table details projected Tax Revenues available for payment of debt service in the Project Area. See APPENDIX C—"REPORT OF THE FISCAL CONSULTANT." The projections start with Fiscal Year 2010-11 assessed values and then utilize the following assumptions:

Tax Rate: The projections assume a tax rate equal to 1.1726% in Fiscal Year 2010-11 declining over five years to 1.1659%. See "--Tax Rates."

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

Inflation Rate: In California, real property values (land and improvements) are subject to an annual inflationary increase, as allowed under Proposition 13. The projection table assumes, with respect to secured property, a 0.5% inflation factor in Fiscal Year 2010-11 and 2% in each Fiscal Year thereafter. See "SPECIAL RISK FACTORS—Reduction in Inflationary Rate." Assessed values of unsecured property and state-assessed (non-unitary property) are assumed to remain at their estimated Fiscal Year 2008-09 levels.

Recent Transfers: Assessed values have been increased in 2011-12 by \$3,209,925 to reflect transfers that occurred after January 1, 2010.

Appeals: Assessed values have been reduced by an estimated \$7,179,810 in Fiscal Year 2011-12 as a result of pending assessment appeals. See "--Assessment Appeals."

Housing Set-Aside: Required deposits into the Agency's Low and Moderate Income Housing Fund in the amount of 20% of gross tax increment revenues, which is not available for payment of debt service on the Series 2010-T Bonds, are subtracted in each fiscal year. See "--Low and Moderate Income Housing."

County Administrative Charges: County administrative charges (also called SB 2557 fees) are projected at 0.73% of gross tax increment. See "--Allocation of Taxes."

ERAF Payments: The projections do not include ERAF transfers in or supplemental ERAF transfers. See "SPECIAL RISK FACTORS—State Budget Deficit and ERAF" for a description of a historical ERAF payments and other revenue transfers which may be required by State budget deficits.

**Table 7**  
**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Projected Tax Revenues**  
**Available for Payment of Debt Service**  
**(000's omitted)**

<u>Fiscal Year</u>	<u>Total Taxable Value</u>	<u>Taxable Value Over Base</u>	<u>Gross Tax Revenue <sup>(1)</sup></u>	<u>Housing Set-Aside</u>	<u>SB 2557 Charge</u>	<u>2006C Debt Service</u>	<u>Second Lien Tax Revenues</u>
2010-11	781,084	418,649	4,911	982	36	1,161	2,732
2011-12	780,457	418,021	4,898	980	36	1,160	2,722
2012-13	793,958	431,523	5,050	1,010	37	1,159	2,845
2013-14	807,730	445,294	5,205	1,041	38	1,162	2,965
2014-15	821,776	459,341	5,363	1,073	39	1,164	3,088
2015-16	836,104	473,668	5,524	1,105	40	1,159	3,220
2016-17	850,718	488,283	5,695	1,139	41	1,159	3,355
2017-18	865,625	503,189	5,868	1,174	43	1,162	3,490
2018-19	880,830	518,394	6,046	1,209	44	1,163	3,629
2019-20	896,338	533,903	6,226	1,245	45	1,163	3,773
2020-21	912,157	549,722	6,365	1,273	46	1,162	3,885
2021-22	928,293	565,857	6,551	1,310	48	1,164	4,030
2022-23	944,751	582,315	6,742	1,348	49	1,164	4,181
2023-24	961,538	599,102	6,936	1,387	50	1,163	4,336
2024-25	978,661	616,225	7,135	1,427	52	1,160	4,496
2025-26	996,127	633,691	7,337	1,467	53	1,160	4,656
2026-27	1,013,941	651,506	6,532	1,306	47	1,163	4,015
2027-28	1,032,112	669,677	6,698	1,340	49	1,160	4,151
2028-29	1,050,647	688,211	6,884	1,377	50	1,164	4,293
2029-30	1,069,552	707,116	7,073	1,415	51	1,161	4,446
2030-31	1,088,835	726,399	7,266	1,453	53	1,160	4,600
2031-32	1,108,504	746,068	7,462	1,492	54	1,162	4,754
2032-33	1,128,566	766,131	7,663	1,533	56	1,161	4,914
2033-34	1,149,030	786,594	7,868	1,574	57	1,163	5,074
2034-35	1,169,903	807,467	8,076	1,615	59	1,163	5,240
2035-36	1,191,193	828,757	8,289	1,658	60	1,160	5,411
2036-37	1,212,909	850,473	8,506	1,701	62	–	6,743
2037-38	1,235,059	872,624	8,728	1,746	63	–	6,919
2038-39	1,257,653	895,217	8,954	1,791	65	–	7,098
2039-40	1,280,698	918,262	9,184	1,837	67	–	7,281
2040-41	1,304,204	941,769	9,419	1,884	68	–	7,467
2041-42	1,328,180	965,745	9,659	1,932	70	–	7,657
2042-43	1,352,636	990,201	9,904	1,981	72	–	7,851
2043-44	1,377,581	1,015,146	10,153	2,031	74	–	8,049
2044-45	1,403,025	1,040,589	10,408	2,082	76	–	8,251

(1) The Fiscal Consultant projects that the cumulative tax increment Plan Limit for the Original Project Area will be reached in Fiscal Year 2019-20. Under the Indenture, the Agency is required to annually calculate the cumulative Tax Revenues received and to escrow funds for the defeasance or redemption of the 2010-T Bonds under certain circumstances. Prior to the June 12, 2012 termination date for the Redevelopment Plan for the original Project Area, the Agency intends to amend the Redevelopment Plan to increase the cumulative tax increment Plan Limit for the Original Project Area as provided by Health and Safety Code Section 33354.6. See “Redevelopment Plan Limitations–Plan Limit” above.

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

Source: HdL Coren & Cone.

## DEBT SERVICE COVERAGE

The following table shows annual debt service on the Series 2006C Bonds and the Series 2010-T Bonds, without regard to any optional redemption, and estimated coverage assuming no growth in Tax Revenues.

**Table 8**  
**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Area**  
**Debt Service Coverage**

Interest Payment Date	Tax Revenues <sup>(1)</sup>	Series 2006C Bonds Debt Service <sup>(2)</sup>	Second Lien Tax Revenues <sup>(3)</sup>	Direct Payments <sup>(4)</sup>	Series 2010-T Bonds Debt Service	Total Debt Service <sup>(5)</sup>	Estimated Combined Coverage (times) <sup>(6)</sup>
2010-11	3,893	1,161	2,732	197	437	1,598	2.56x
2011-12	3,883	1,160	2,722	245	594	1,755	2.35
2012-13	4,004	1,159	2,845	243	591	1,750	2.43
2013-14	4,127	1,162	2,965	242	587	1,749	2.50
2014-15	4,252	1,164	3,088	240	583	1,747	2.57
2015-16	4,379	1,159	3,220	238	585	1,744	2.65
2016-17	4,514	1,159	3,355	237	586	1,745	2.72
2017-18	4,652	1,162	3,490	235	582	1,744	2.80
2018-19	4,793	1,163	3,629	233	577	1,740	2.89
2019-20	4,936	1,163	3,773	231	573	1,736	2.98
2020-21	5,046	1,162	3,885	229	574	1,735	3.04
2021-22	5,194	1,164	4,030	227	569	1,733	3.13
2022-23	5,345	1,164	4,181	225	569	1,733	3.21
2023-24	5,499	1,163	4,336	222	569	1,732	3.30
2024-25	5,656	1,160	4,496	220	569	1,729	3.40
2025-26	5,816	1,160	4,656	217	563	1,723	3.50
2026-27	5,179	1,163	4,015	215	557	1,721	3.13
2027-28	5,310	1,160	4,151	212	562	1,721	3.21
2028-29	5,457	1,164	4,293	209	555	1,719	3.30
2029-30	5,607	1,161	4,446	206	554	1,714	3.39
2030-31	5,760	1,160	4,600	203	552	1,712	3.48
2031-32	5,916	1,162	4,754	200	544	1,706	3.58
2032-33	6,075	1,161	4,914	197	542	1,703	3.68
2033-34	6,237	1,163	5,074	193	539	1,702	3.78
2034-35	6,403	1,163	5,240	189	531	1,694	3.89
2035-36	6,571	1,160	5,411	186	533	1,693	3.99
2036-37	6,743	–	6,743	182	1,689	1,689	4.10
2037-38	6,919	–	6,919	139	1,644	1,644	4.29
2038-39	7,098	–	7,098	95	1,600	1,600	4.49
2039-40	7,281	–	7,281	48	1,557	1,557	4.71

(1) Tax Revenue is net of the 20% Housing Set-Aside and the SB 2557 property tax administration costs and pass-through payments. Tax Revenues are held constant at Fiscal Year 2009-10 levels. For additional information about the calculation of Tax Revenues and the Fiscal Consultant’s Tax Revenue projections, see “THE PROJECT AREA–Projected Tax Revenues” and APPENDIX C–“REPORT OF THE FISCAL CONSULTANT.”

(2) See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS–Outstanding Senior Debt.

(3) Tax Revenues less Series 2006C Bonds Debt Service. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS–Tax Revenues; Pledge of Second Lien Tax Revenues.”

(4) Also referred to herein as Refundable Credits. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2010-T BONDS – Direct Payment.”

(5) Series 2006C Bonds Debt Service plus Series 2010-T Debt Service.

(6) Tax Revenues plus Direct Payments divided by Total Debt Service.

## TAX MATTERS

In the opinion of Lofton & Jennings, Bond Counsel to the Agency (“Bond Counsel”), interest on the Series 2010-T Bonds is exempt from State of California personal income taxes but is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”).

With certain exceptions, the difference between the issue price of a Series 2010-T Bond (the first price at which a substantial amount of the Series 2010-T Bond of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series 2010-T Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Beneficial Owner of a Series 2010-T Bond will increase the Beneficial Owner’s basis in the Series 2010-T Bond. Beneficial Owners of Series 2010-T Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Series 2010-T Bonds.

The amount by which a Series 2010-T Bond Beneficial Owner’s original basis for determining loss on sale or exchange in the applicable Series 2010-T Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Beneficial Owner of a Series 2010-T Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Series 2010-T Bond Beneficial Owner’s basis in the applicable Series 2010-T Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Series 2010-T Bond premium may result in the Beneficial Owner of a Series 2010-T Bond realizing a taxable gain when a Series 2010-T Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2010-T Bond to the Beneficial Owner. The Beneficial Owners of the Series 2010-T Bonds that have a basis in the Series 2010-T Bonds that is greater than the principal amount of the Series 2010-T Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

The qualification of the Series 2010-T Bonds and receipt of the refundable credits under the Code in the form of the Direct Payments is subject to the condition that the Agency and others comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2010-T Bonds to assure that the Series 2010-T Bonds qualify as Recovery Zone Economic Development Bonds under the Code for which the Agency has made an irrevocable election to receive a refundable credit. Failure to comply with such requirements of the Code might result in the Agency not receiving such a refundable credit, possibly retroactive to the date of issue of the Series 2010-T Bonds.

The IRS has initiated an expanded program for the auditing of bond issues, including both random and targeted audits. It is possible that the Series 2010-T Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2010-T Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, that Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2010-T Bonds to the extent that it adversely affects the status of the Series 2010-T Bonds as Recovery Zone Economic Development Bonds for purposes of the Code for which the Agency is entitled to a refundable credit, or the market value of a Series 2010-T Bond.



It is possible that subsequent to the issuance of the Series 2010-T Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state or local law) that affect the federal, state, or local tax treatment of the Series 2010-T Bonds or the market value of the Series 2010-T Bonds. No assurance can be given that subsequent to the issuance of the Series 2010-T Bonds such changes or interpretations will not occur.

The federal tax and State of California personal income tax discussion set forth above with respect to the Series 2010-T Bonds is included for general information only and may not be applicable depending upon a Beneficial Owner's particular situation. The ownership and disposal of the Series 2010-T Bonds and the accrual or receipt of interest with respect to the Series 2010-T Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. **ANY FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO THE SERIES 2010-T BONDS IS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED, FOR THE PURPOSE OF AVOIDING PENALTIES UNDER THE CODE. THE FEDERAL TAX ADVICE CONTAINED HEREIN WITH RESPECT TO THE SERIES 2010-T BONDS WAS WRITTEN TO SUPPORT THE PROMOTING AND MARKETING OF THE SERIES 2010-T BONDS. BEFORE PURCHASING ANY OF THE SERIES 2010-T BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR INDEPENDENT TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES RELATING TO THE SERIES 2010-T BONDS AND THE TAXPAYER'S PARTICULAR CIRCUMSTANCES.**

*Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Code.*

A copy of the proposed form of opinion of Bond Counsel with respect to the Series 2010-T Bonds is attached hereto in APPENDIX E.

### CERTAIN LEGAL MATTERS

The validity of the Series 2010-T Bonds and certain other legal matters are subject to the approving legal opinion of Lofton & Jennings, 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 2010-T Bonds at the time of delivery of the Series 2010-T Bonds. Lofton & Jennings, San Francisco, California, is also acting as disclosure counsel to the Agency.

Certain legal matters will be passed upon for the Agency by the City Attorney of the City, as Agency Counsel, and for the Underwriters by Jones Hall, A Professional Law Corporation, San Francisco, California. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation that is contingent upon the sale and delivery of the Series 2010-T Bonds. Neither Bond Counsel nor Underwriter's Counsel undertakes any responsibility to the purchasers of the Series 2010-T Bonds for the accuracy, completeness or fairness of this Official Statement.

## **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 2010-T Bonds, the corporate existence of the Agency, or the title of the officers of the agency who will execute the Series 2010-T Bonds as to their respective offices. The Agency will furnish to the Underwriter of the Series 2010-T Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2010-T Bonds.

## **CONTINUING DISCLOSURE**

The Agency has covenanted for the benefit of the holders and beneficial owners of the Series 2010-T Bonds to provide certain financial information and operating data relating to the Agency each year by not later than the date which is nine months following the end of the Fiscal Year (the “Annual Report”), commencing with the report for Fiscal Year 2009-10, and to provide filed by the Trustee with each Nationally Recognized Municipal Securities Information Repository and with a State Depository, if any. The notices of material events will be filed by the Trustee on behalf of the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F—“FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The covenants set forth in the Continuing Disclosure Certificate of the Agency have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5). Failure of the Agency to comply with these covenants does not constitute an Event of Default under the Indenture.

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

## **UNDERWRITING**

The Series 2010-T Bonds will be sold to E. J. De La Rosa & Co., Inc. and Blaylock Robert Van, LLC, as the underwriters of the Series 2010-T Bonds (the “Underwriters”) pursuant to a bond purchase contract (the “Purchase Contract”) between the Agency and the Underwriters. The Underwriters have agreed to purchase the Series 2010-T Bonds for \$7,168,300 (which represents the \$7,390,000 aggregate principal amount of the Series 2010-T Bonds, less an original issue discount of \$221,700). The Underwriters will be paid an underwriting fee of \$77,595.00.

The initial public offering prices of the Series 2010-T Bonds may be changed from time to time by the Underwriters. The Purchase Contract for the Series 2010-T Bonds provides that the Underwriters will purchase all of the Series 2010-T Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

## **RATING**

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's") has assigned the Series 2010-T Bonds a rating of "A-." A rating reflects only the view of the rating agency giving such rating and is not a recommendation to buy, sell or hold the Series 2010-T Bonds. An explanation of the significance of the rating may be obtained from the rating agency as follows: Standard & Poor's Ratings Group, 55 Water Street, 38th Floor, New York, New York 10041. There is no assurance that such rating will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment circumstances so warrant. The Agency has not undertaken any responsibility to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2010-T Bonds.

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**MISCELLANEOUS**

All of the preceding summaries of the Series 2010-T Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the Series 2010-T Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

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

REDEVELOPMENT AGENCY OF THE CITY  
OF OAKLAND

By: /s/ Dan Lindheim  
Agency Administrator

## APPENDIX A

### CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

*This appendix sets forth general information about the City of Oakland (the “City”). The following information concerning the City is included only for general background purposes. It is not intended to suggest that the Bonds are payable from any source other than Assessments and amounts pledged therefor under the Fiscal Agent Agreement.*

#### **Overview**

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

#### **City Government**

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

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

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

## ECONOMIC HIGHLIGHTS

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

Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life, comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.<sup>1</sup>

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.

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

### **Major Projects Recently Completed**

The Uptown Housing Project Phase I provided 665 rental apartments, 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. Phase II of the project provided an additional 175-290 residential units and 20,000 square feet of retail space.

The Fox Theater, which is a national historic landmark, has undergone renovation into a 750- to 3000-seat live performance venue as well as the home for the Oakland School for the Arts. The Fox Theater is the largest historic theater renovation in America today.

A new development for Jack London Square that will feature 1.2 million square feet of mixed-use retail commercial, and office space, a 1,700 seat movie theater, a 250 room hotel, a supermarket, restaurants, and offices. In the summer of 2009 the core and shell for 2 buildings were completed, including: (i) a parking structure with 1,086 parking spaces and 30,000 square feet of retail; and (ii) a retail and office building of 190,000 square feet.

### **Other Projects that are Currently Underway or in the Final Planning Stages**

The Oak to Ninth Project includes up to 3,100 residential units including 465 affordable housing units, 200,000 square feet of ground-floor commercial space, a minimum of 3,950 parking spaces, approximately 32 acres of parks and public open space, two renovated marinas (total 170 boat slips), and an existing wetlands restoration area. The project will be constructed in four phases over a seventeen-year period.

The Wood Street Development Project is approved for 1,570 units of housing and 13,000 square feet of neighborhood-serving commercial uses. Three housing projects that have moved forward include: (1) Zephyr Gate a 130-unit condominium project expected to be completed by 2010; (2) Pacific Cannery Lofts a 163-unit condominium project completed in 2008; and (3) 14<sup>th</sup> Street Apartments at Central

<sup>1</sup>2000 U.S. Census.

Station a 99 unit affordable housing project expected to be completed in 2010. Also nearing completion is a feasibility study of re-use options for the historic 16<sup>th</sup> Street Train Station, which is a central component of the Wood Street Development.

AMB Property Corporation and California Commercial Group is contracted to develop the Oakland Army Base Project. The project will include logistics facility; a green business park accommodating of the Film Center and Produce Market; and Class A office tower along with a large parking garage.

The Kaiser Hospital Master Plan includes construction of a new hospital building, parking structures, medical office, and administrative offices are entitled and work is underway. The parking structure is now complete and construction has begun on the new hospital building.

The MacArthur Transit Village project, which will include 624 housing units (108 of which will be affordable) and 42,500 square feet of retail, Coliseum Transit Village, which will be used as a mixed-use, sustainable transit oriented development, includes 390 units of market rate and senior housing and 20,000-30,000 square feet of neighborhood retail space.

The Lion Creek Crossings, a new development that includes 442 units of affordable rental and 28 units for first time home buyers is expected to be completed by December 2010 and Phase 4, 72 family rental units, will start construction in 2010. 3860 Martin Luther King, Jr. Way included the construction of 34 units of housing directly adjacent to the MacArthur BART Station. An additional 40 units are expected to start construction in 2011. The Broadway/Valdez District Specific Plan, which outlines a retail development strategy for Broadway Auto Row, is currently in process.

## Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2010, at 430,666. This figure represents 27.3% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown over 5% since 2000. The following table sets forth the population of the City, Alameda County and the State of California.

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

Year	City	County	State
2000	402,100	1,454,300	33,838,086
2006	411,755	1,510,303	37,086,191
2007	415,492	1,526,148	37,472,074
2008	420,183	1,543,000	37,883,992
2009	425,368	1,557,749	38,255,508
2010	430,666	1,547,857	38,648,090

Sources: The 2000 total are U.S. Census figures. The figures for the years 2006 through 2010 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

## Industry and Employment

The following Table A-2 sets forth estimates of the labor force, civilian employment and unemployment for City residents, State residents and United States residents between 2004 through 2009.

**Table A-2**  
**City of Oakland, State of California and United States**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Average for Years 2004 Through 2009**

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2004				
City	195,200	177,500	17,700	9.1%
State	17,552,300	16,459,900	1,092,400	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
City	192,900	177,600	15,300	7.9
State	17,695,600	16,746,900	948,700	5.4
United States	149,321,000	141,730,000	7,591,000	5.1
2006				
City	192,900	179,600	13,300	6.9
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
City	195,700	181,200	14,500	7.4
State	18,188,100	17,208,900	979,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
City	200,300	181,200	19,100	9.5
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
2009				
City	207,633	173,658	33,975	16.4
State	18,462,775	16,308,233	2,154,542	11.7
United States	154,206,000	139,881,000	14,325,000	9.3

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



## Commercial Activity

**Table A-3**  
**City of Oakland**  
**Trade Outlets and Taxable Sales**  
**for Calendar Years 2004-2008<sup>†</sup>**  
**(\$ In Thousands)**

Taxable Retail Sales	2004	2005	2006	2007	2008 <sup>†</sup>
Apparel Stores	\$ 47,989	\$ 52,853	\$ 54,090	\$ 58,448	\$ 24,853
General Merchandise	126,945	148,962	181,926	186,346	93,461
Food Stores	172,540	179,294	183,913	203,400	109,752
Eating & Drinking	379,758	403,583	433,736	465,224	233,518
Household	85,276	72,249	69,353	63,822	23,882
Building Materials	250,265	317,662	325,065	285,930	118,218
Auto Dealers and Supplies	512,749	512,545	543,896	572,407	233,293
Service Stations	315,573	376,643	404,202	513,570	366,096
Other Retail	502,893	531,027	481,694	434,795	212,622
SUBTOTAL	<u>2,393,988</u>	<u>2,594,818</u>	<u>2,677,875</u>	<u>2,783,942</u>	<u>1,415,695</u>
All Other Outlets	1,428,834	1,617,919	1,779,513	1,907,058	547,397
TOTAL ALL OUTLETS	<u>\$ 3,822,822</u>	<u>\$ 4,212,737</u>	<u>\$ 4,457,388</u>	<u>\$ 4,691,000</u>	<u>\$ 1,963,092</u>

<sup>†</sup> Most recent data available for first and second quarters only.

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

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

**Table A-4**  
**City of Oakland**  
**Employment by Industry Group**  
**Annual Averages**

Industry Employment <sup>(1)</sup>	2004	2005	2006	2007	2008 <sup>(2)</sup>
Agriculture	1,500	1,600	1,500	1,500	1,400
Natural Resources and Mining	1,200	1,100	1,200	1,200	1,200
Construction	69,800	72,800	73,300	71,700	64,600
Manufacturing	98,200	95,600	95,800	94,400	93,300
Trade, Transportation, Warehousing and Utilities	193,800	195,000	197,100	199,300	195,300
Information	31,300	30,700	30,100	29,000	27,800
Finance, Insurance, and Real Estate	67,600	69,500	67,700	62,400	56,800
Professional and Business Services	147,700	150,600	154,900	158,000	161,400
Education and Health Services	117,200	118,500	121,800	124,700	127,700
Leisure and Hospitality	80,600	83,000	85,600	88,000	89,100
Other Services	36,600	35,600	35,900	36,200	36,000
Government	179,700	180,000	182,000	183,900	176,600
TOTAL <sup>(3)</sup>	1,025,200	1,033,700	1,046,900	1,049,700	1,031,300

<sup>(1)</sup> Based on place of work.

<sup>(2)</sup> Most recent data available.

<sup>(3)</sup> "Total" may not be precise due to independent rounding.

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

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## Construction Activity

The total valuation of building permits issued in the City as estimated by the Construction Industry Research Board was approximately \$381 million as of 2008. The following Table A-5 provides an estimated building permit valuation summary for 2004 through 2008.

**Table A-5**  
**City of Oakland**  
**Building Permit Valuation**  
**for Years 2004- 2008**  
**(\$ In Thousands)**

Year	Residential					Value of Alterations/ Additions	Total Residential Valuation	Nonresidential Valuation	Total <sup>(1)</sup>
	Single Family		Multifamily		Total				
	Units	Valuation	Units	Valuation					
2004	351	\$82,007	890	\$104,611	\$65,087	\$251,705	\$125,838	\$377,542	
2005	199	63,542	1,275	186,944	78,841	329,327	158,139	487,465	
2006	217	64,059	2,137	295,256	67,494	426,809	119,700	546,509	
2007	223	72,618	741	125,267	59,404	257,289	185,095	442,384	
2008 <sup>(2)</sup>	126	33,281	642	101,479	66,903	199,663	181,513	381,177	

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

<sup>(2)</sup> Most recent data available.

Source: Construction Industry Research Board.

**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 (for new construction, certain changes of ownership and 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.

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

**Table A-6**  
**City of Oakland Assessed Valuations**  
**(in \$000s)**

Fiscal Year	Total Assessed Value	Less: Tax-Exemptions	Total Taxable Assessed Value	Less:	
				Redevelopment Tax Increments	Net Taxable Assessed Value
2005-06	\$34,553,772	(\$2,310,189)	\$32,243,583	(\$5,186,441)	\$27,057,142
2006-07	38,167,160	(2,347,281)	35,819,879	(7,750,010)	28,069,869
2007-08	41,797,578	(2,478,760)	39,318,818	(9,552,758)	29,766,060
2008-09	43,858,259	(2,584,624)	41,273,635	(10,425,138)	30,848,497
2009-10	42,568,090	(2,691,489)	39,876,601	(9,753,604)	30,122,997
2010-11	41,252,183	(2,768,043)	38,574,140	(9,030,570)	29,543,570

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 clerk of the court 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.

Certain counties within the State, including Alameda County, have adopted an "Alternative Method of Distribution of Tax Levies and Collections and Tax Sale Proceeds" authorized under the Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan local taxing agencies receive 100% of the tax levy for each fiscal year, rather than on the basis of actual collections. **The City does not participate in the 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 A-7**  
**City of Oakland**  
**Property Tax Levies and Collections**  
**(in \$000s)**

Fiscal Year	City's Share of 1%	Levy Voter- Approved Debt	Total	Total Collected <sup>(1)</sup>	Percent Collected	Delinquent Collections <sup>(2)</sup>
2004-05	\$68,095	\$59,673	\$127,768	\$123,859	96.94%	\$3,909
2005-06	73,331	63,369	136,700	132,085	96.62	4,615
2006-07	79,357	75,071	154,428	146,240	94.70	8,188
2007-08	86,220	76,453	162,673	151,669	93.24	11,044
2008-09	89,482	75,753	165,235	154,557	93.54	10,678

<sup>(1)</sup> As of June 30 of the related Fiscal Year.

<sup>(2)</sup> As of June 30, 2008. Note that delinquent collections are higher in later years due to delinquencies paid when property is transferred.

Source: Alameda County Auditor-Controller.

***Appeals of Assessed Valuation.*** The following table sets forth resolved and unresolved pending assessment appeals in the City as of December 7, 2009:

**Table A-8**  
**City of Oakland**  
**Pending Appeals of Assessed Valuation**  
**As of December 7, 2009**

***Pending Appeals (2005-06 through 2009-10)***

Number of Pending Appeals	2,401	
Total Value Under Appeal	\$4,359,841,409	
Owner's Opinion of Value	2,717,623,371	
Maximum Potential Loss	1,642,218,038	37.67%

***Resolved Appeals (Fiscal Year 2008-09)***

Number of Resolved Appeals	614	
Total Appealed Value of Resolved Appeals	\$463,038,959	
Appeals Denied	246	
Assessed Value of Denied Appeals	\$150,405,252	
Appeals Allowed with Change in Value	368	
Original Assessed Value of Allowed Appeals	\$312,633,707	
Value Determined by Appeals Board	227,133,082	
Board Approved Reduction in Value	85,500,625	27.3%
City of Oakland 2009-10 Taxable Value	\$40,240,324,024 <sup>(1)</sup>	
Maximum Appeals Loss	1,642,218,038	4.08%

<sup>(1)</sup> Does not include homeowners exemption and State Board of Equalization Nonunitary values.

Source: Alameda County Assessment Appeals Board.

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**APPENDIX B**

**REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS FOR THE FISCAL  
YEAR ENDED JUNE 30, 2009**

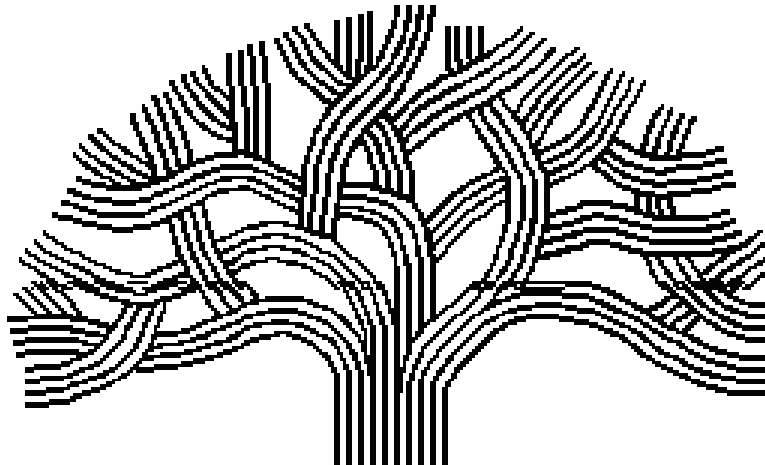
**REDEVELOPMENT AGENCY**

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, 2009**



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

**PROJECT TEAM**

Joseph T. Yew, Jr.  
*Finance Director / City Treasurer*

Osborn K. Solitei  
*Acting Controller*

**AUDIT/FINANCIAL STATEMENT COORDINATOR**

Osborn K. Solitei, *Acting Controller*

**FINANCIAL STATEMENT PREPARATION**

**Financial Statement Leaders**

Franklin Catalya

Theresa Woo

**Accounting Team (GL & ORA)**

Erico Parras  
Rogelio Medalla  
Jennifer Luong

Michelle Wong  
Connie Chu

Felipe Kiocho  
Andy Wang

**CLERICAL SUPPORT**

Deborah Griffin, *Administrative Assistant*

**SPECIAL ASSISTANCE**

Katano Kasaine

Dawn Hort

Donna Treglown

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
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**June 30, 2009**

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

### Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**WILLIAMS, ADLEY & COMPANY, LLP**

Certified Public Accountants  
Management Consultants

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

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

*Williams, Adley & Company, LLP*

Oakland, California  
November 19, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2009**

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, 2009. 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 \$253.4 million compared to \$200.4 million for the previous fiscal year. This represents a net increase of \$53.0 million or 26.5 percent compared to last year. The net growth was driven primarily by increased property tax receipts of \$131.7 versus \$122.0 million for the previous fiscal year, as well as an \$8.1 million net increase in property held for resale and a \$27.4 million increase in notes and loans receivables. Conversely, liabilities decreased \$14.7 or 2.5 percent compared to the prior fiscal year primarily as a result of principal debt payment, restructuring and retirement of certain long-term debt.
- For the year ended June 30, 2009, the Agency's governmental fund balances were \$616.4 million compared to \$599.2 million in the previous fiscal year, an increase of 2.9 percent or \$17.2 million. The change in fund balance is primarily attributable to a \$9.8 million increase in tax increment and a \$38.0 million bond proceeds from issuance of Central District Tax Allocation Bonds, Series 2009T. These increases were offset by defeasance of the 2005 Tax Allocation Bonds for \$12.4 million and repayment of \$15.95 million to the primary government on City Center Garage West advances. The \$616.4 million fund balance is distributed by redevelopment project area as follows: 24.0 percent or \$147.9 million for the Central District; 20.0 percent or \$123.5 million for the Coliseum; 16.7 percent or \$102.8 million for Central East; 16.7 percent or \$103.0 million for Low and Moderate Housing; 13.5 percent or \$83.0 million for the Oakland Army Base; and 8.3 percent or \$51.0 million for Non-major Governmental Funds.
- As of June 30, 2009, the Agency has a total of \$531.1 million in long-term obligations outstanding compared to 540.6 million in prior fiscal year, a decrease of 1.8 percent or \$9.5 million. Long-term liability includes \$6.1 million remediation obligations and \$14.1 million advances from the primary government.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **Government-wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

## **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

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

### **Notes to the basic financial statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-37 of this report.

### **Other information**

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

### **Government-wide Financial Statements Analysis**

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

### **Analysis of Net Assets**

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$253.4 million at the close of the fiscal year ended June 30, 2009.

As of the end of the fiscal year, the Agency had restricted net assets of \$578.6 million. The net assets include \$79.6 million reserved for low and moderate housing. The remaining balance of \$499.0 million represents resources that are subject to external restrictions and includes \$129.9 million invested on property held for resale and \$6.7 million in fixed assets. The Agency's deficit in unrestricted net assets of \$331.9 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

**Net Assets**  
**Governmental Activities**  
(In thousands)

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Assets:</b>		
Current and other assets	\$ 686,267	\$ 655,922
Property held for resale	129,870	121,735
Fixed Assets	6,735	6,887
Total assets	<b>822,872</b>	<b>784,544</b>
<b>Liabilities:</b>		
Long-term liabilities	531,129	540,605
Other liabilities	38,335	43,563
Total liabilities	<b>569,464</b>	<b>584,168</b>
<b>Net assets:</b>		
Investments in capital assets, net of related debt	6,735	6,887
Restricted for:		
Low and moderate housing	79,572	98,343
Urban redevelopment projects and housing	498,986	500,827
Unrestricted	(331,885)	(405,681)
Total net assets	<b>\$ 253,408</b>	<b>\$ 200,376</b>

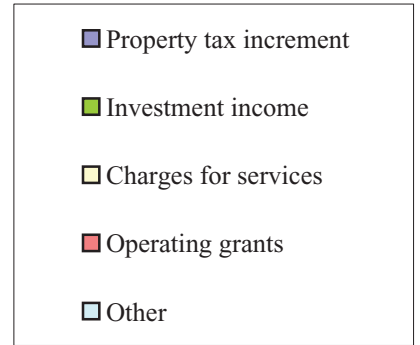
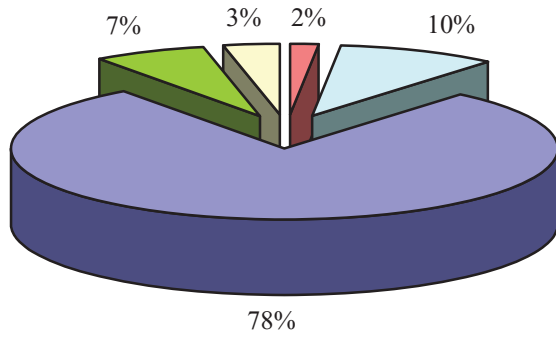
**Governmental activities.** The Agency's net assets increased by \$53.0 million or 26.5 percent in fiscal year ended June 30, 2009. Key elements of this increase are as follows:

**Changes in Net Assets**  
**Governmental Activities**  
(In thousands)

	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<b>Revenues:</b>		
Program revenues:		
<b>Charges for services</b>	\$ 5,448	\$ 6,034
<b>Operating Grants and Reimbursements</b>	2,714	5,700
<b>General revenues:</b>		
Property tax increment	131,688	122,048
Investment income	11,253	20,333
Other	15,934	3,268
Total general revenues	158,875	145,649
Total charges for services, general revenues, and special items	167,037	157,383
<b>Expenses:</b>		
Urban redevelopment and housing	86,093	81,776
Interest on long-term debt	27,912	27,491
Total expenses	114,005	109,267
Increase in net assets	53,032	48,116
Net assets, beginning of year	200,376	152,260
<b>Net assets, end of year</b>	<b>\$ 253,408</b>	<b>\$ 200,376</b>

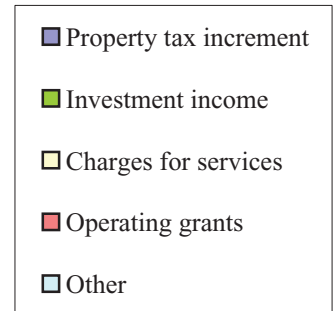
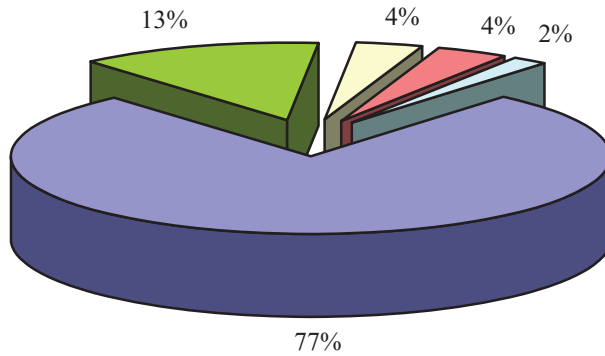


**Redevelopment Agency of the City of Oakland  
Sources of Revenue  
For FY 2008-09**



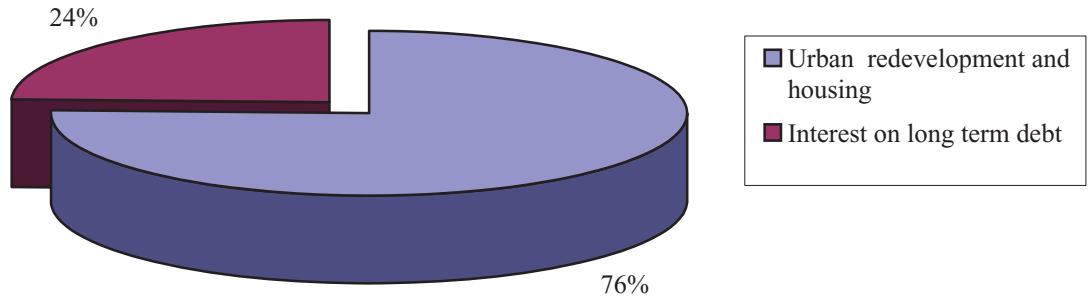
**Total Revenues \$167,037**

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



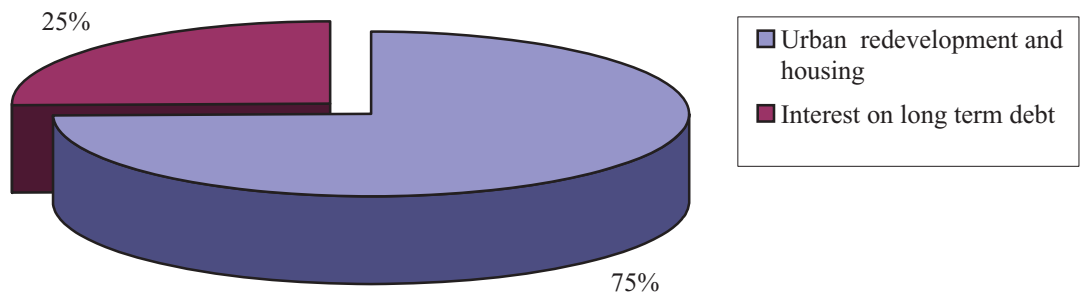
**Total Revenues \$157,383**

**Redevelopment Agency of the City of Oakland  
Functional Expenses  
For FY 2008-09**



**Total Expenditures \$114,005**

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



**Total Expenditures \$109,267**

## **Analysis of Changes in Net Assets**

The revenues in governmental activities for the Agency exceeded expenses by \$53.0 million for the year ended June 30, 2009. This represents an increase of 10.2 percent or \$4.9 million compared to the prior year's change in net assets of \$48.1 million. The increase is primarily attributed to a \$9.6 million increase in tax increment

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function of current year compared to the previous year. Revenues totaled \$167.0 million while expenses totaled \$114.0 million for the year ended June 30, 2009 compared to \$157.4 million and \$109.3 million respectively for the year ended June 30, 2008.

Revenues increased by \$9.7 million or 6.1 percent compared to the previous fiscal year. Contributing to the increase in total revenue is tax increment which increased by \$9.6 million or 7.9 percent primarily due to improved property tax receipts. Other revenues also increased by \$12.7 million due to a \$10.8 million settlement agreement between the City of Oakland and the California Department of Transportation (Caltrans) related to the use of 26 acres of land in the West Gateway portion of the former Oakland Army Base. The increases were offset by a decrease in investment income of \$9.1 million due to earned interest yield reflects a lower interest rate environment experienced during the year.

Government-wide expenses also increased by \$4.7 million or 4.3 percent. The increase is primarily attributable to expenditures related to Central City East and Central District project areas activities.

## **Financial Analysis of the Agency's Funds**

As of June 30, 2009, the Agency's governmental funds reported combined ending fund balances of \$616.4 million, an increase of 2.9 percent or \$17.3 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$9.8 million increase in tax increment and issuance of \$38.0 million Tax Allocation Bonds. These increases were offset by \$15.95 million repayment of City Center Garage West advances, \$12.4 million in bond defeasance, and an increased project expenditure of \$2.7 million.

## **Budgetary Data**

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

## Capital Assets and Debt Administration

### Capital assets

The Agency has capital assets of \$8.1 million, before depreciation, which includes the Henry J. Robinson Multi-Service Center facility that provides service to the disadvantaged persons living within or near the Central District Redevelopment Project Area as major transitional housing, emergency shelter, and drop-in programs for the homeless population in Oakland; and the Fox Theater property which is leased to Fox Oakland Theater, Inc. ("FOT") through a 60 year long-term lease. Fixed assets for the fiscal year ended June 30, 2009 are reported as \$6.7 million, net of accumulated depreciation.

### Long-term debt

At June 30, 2009, the Agency had total outstanding long-term debt of \$505.8 million, an increase of \$9.2 million or 1.8 percent more than the prior fiscal year. The increase was primarily attributed to issuances of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T and restructuring of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005.

### Bond Ratings

The Agency's bond ratings at June 30, 2009 are as follows (in thousands):

	<b>Moody's</b>	<b>Standard &amp; Poors</b>	<b>Fitch JBCA</b>	<b>Balance Outstanding</b>
Tax allocation	A3	A-	N/A	\$ 418,520
Housing set-aside revenue bonds	A2	A	A	87,075
General obligation bonds	N/A	N/A	N/A	170
<b>TOTAL</b>				<u><u>\$ 505,765</u></u>

Long-term liabilities at the end of June 30, 2009 and June 30, 2008 are comprised of the following (in thousands):

	<b>FY 2009</b>	<b>FY 2008</b>
<b>Bonds Payable:</b>		
Tax allocation bonds payable	\$ 418,520	\$ 406,945
Housing set-aside revenue bonds	87,075	89,465
General obligation bonds	170	220
<b>Total Bonds Payable</b>	<u>505,765</u>	<u>496,630</u>
<b>Other Long-Term Liabilities:</b>		
Deferred amounts, net	5,083	6,703
Uptown remediation costs	7	433
Fox Court remediation costs	-	379
OBRA remediation costs	5,500	5,828
Other remediation costs	620	-
Advances from City of Oakland	14,154	30,632
<b>Total Other Long-Term Liabilities</b>	<u>25,364</u>	<u>43,975</u>
<b>Total Long-Term Obligations</b>	<u><u>\$ 531,129</u></u>	<u><u>\$ 540,605</u></u>

## **Other Potentially Significant Matters**

Supplementary Educational Revenue Augmentation Funds (SERAF): On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county SERAF to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. Further information regarding the City's response and SERAF impact is contained in the Subsequent events footnote to the basic financial statements.

## **Requests for Information**

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

# BASIC FINANCIAL STATEMENTS

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Statement of Net Assets

June 30, 2009

(In Thousands)

### ASSETS

Cash and investments	\$	260,660
Tax increment receivable		2,225
Accrued interest receivable		880
Accounts receivable (net of allowance for uncollectibles of \$226)		2,179
Due from the City of Oakland		15,278
Due from other government		14
Notes receivable (net of allowance for uncollectibles of \$46,728 )		143,823
Property held for resale		129,870
Fixed assets (net of accumulated depreciation)		6,735
Restricted cash and investments		252,525
Other assets		40
Deferred charges - bond issuance costs		<u>8,643</u>
<b>TOTAL ASSETS</b>		<u>822,872</u>

### LIABILITIES

Accrued interest payable		9,363
Accounts payable and accrued liabilities		3,534
Due to the City of Oakland		11,286
Due to other governments		13,052
Deposits and other liabilities		1,100
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year		20,418
Due in more than one year		<u>510,711</u>
<b>TOTAL LIABILITIES</b>		<u>569,464</u>

### NET ASSETS (Deficit)

Invested in capital assets, net of related debt		6,735
Restricted for:		
Low and moderate housing		102,964
Urban redevelopment projects and housing		473,850
Unrestricted (deficit)		<u>(330,141)</u>
<b>TOTAL NET ASSETS</b>	\$	<u>253,408</u>

See accompanying notes to the financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

Statement of Activities

For the year ended June 30, 2009

(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Urban redevelopment and housing	\$ 86,093	\$ 5,448	\$ 2,714	\$ (77,931)
Interest on long-term debt	<u>27,912</u>	-	-	<u>(27,912)</u>
Total governmental activities	\$ <u>114,005</u>	\$ <u>5,448</u>	\$ <u>2,714</u>	<u>(105,843)</u>
General Revenues:				
Property tax increment				131,688
Investment income				11,253
Other				<u>15,934</u>
Total general revenues				<u>158,875</u>
Change in net assets				53,032
Net assets at beginning of year				<u>200,376</u>
Net assets at end of year				<u>\$ 253,408</u>

See accompanying notes to the basic financial statements.



**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	Capital Projects						Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	
<b>ASSETS</b>							
Cash and investments	\$ 46,911	\$ 47,275	\$ 35,527	\$ 58,532	\$ 35,500	\$ 763	\$ 36,152
Tax increment receivable	875	564	392	-	88	-	306
Accrued interest receivable	187	151	114	189	118	2	119
Accounts receivable (net of allowance for uncollectibles of \$226)	-	-	-	-	2,179	-	-
Due from other governments	-	10	2	-	2	-	-
Advances to the City	12,566	16	-	2,153	61	-	482
Notes receivable (net of allowance for uncollectibles of \$46,728)	44,747	1,083	-	95,700	85	-	2,208
Property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411
Other Assets	-	40	-	-	-	-	-
Restricted cash and investments	49,434	80,943	66,114	36,806	-	4,671	14,557
<b>TOTAL ASSETS</b>	<b>\$ 212,493</b>	<b>\$ 133,822</b>	<b>\$ 109,144</b>	<b>\$ 201,392</b>	<b>\$ 86,972</b>	<b>\$ 5,436</b>	<b>\$ 58,235</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	723	968	102	955	268	-	518
Due to the City	2,822	3,117	3,023	20	617	2	1,685
Due to other governments	2,933	4,617	2,833	-	551	-	2,118
Deposits and other liabilities	874	-	-	4	178	-	44
Deferred revenue	57,289	1,647	392	97,449	2,351	-	2,955
<b>TOTAL LIABILITIES</b>	<b>64,641</b>	<b>10,349</b>	<b>6,350</b>	<b>98,428</b>	<b>3,965</b>	<b>2</b>	<b>7,320</b>
<b>FUND BALANCES</b>							
Reserved for advances	1,030	16	-	383	61	-	309
Reserved for property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411
Reserved for approved capital projects/activities	89,049	119,717	95,799	94,569	34,007	5,434	44,724
Unreserved - reported in Capital Project Funds	-	-	-	-	-	-	1,471
<b>TOTAL FUND BALANCES</b>	<b>147,852</b>	<b>123,473</b>	<b>102,794</b>	<b>102,964</b>	<b>83,007</b>	<b>5,434</b>	<b>50,915</b>
<b>TOTAL LIABILITIES AND FUND BALANCE:</b>	<b>\$ 212,493</b>	<b>\$ 133,822</b>	<b>\$ 109,144</b>	<b>\$ 201,392</b>	<b>\$ 86,972</b>	<b>\$ 5,436</b>	<b>\$ 58,235</b>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Governmental Funds**

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

**June 30, 2009**

**(In Thousands)**

Fund balance - total governmental funds \$ 616,439

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

Capital assets used in governmental activities are not financial resources and  
therefore, are not reported in the funds. 6,735

Bond issuance costs are expended in the governmental funds when paid and are  
capitalized and amortized over the life of the corresponding bonds for the purposes  
of the governmental activities on the statement of net assets. 8,643

Interest on long-term debt is not accrued in the funds, but rather is recognized  
as an expenditure when due. (9,363)

Because the focus of governmental funds is on short-term financing, some assets  
will not be available to pay for current period expenditures. Those assets are offset  
by deferred revenue in the governmental funds. 162,083

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

<u>Type</u>	<u>Amount</u>	
Tax allocation bonds	\$ (418,520)	
Housing set-aside revenue bonds	(87,075)	
General obligation bonds	(170)	
Issuance discounts	767	
Issuance premiums	(9,887)	
Refunding loss	4,037	
Other remediation cost	(620)	
Uptown remediation costs	(7)	
Oakland Army Base remediation costs	(5,500)	
Advances from the City of Oakland	(14,154)	
Subtotal		<u>(531,129)</u>

Net assets of governmental activities \$ 253,408

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2009**  
**(In Thousands)**

	Capital Projects							Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	
<b>REVENUES</b>								
Tax increment	\$ 51,777	\$ 33,379	\$ 23,198	\$ -	\$ 5,222	\$ -	\$ 17,960	\$ 131,536
Interest on restricted investments	979	41	293	1,830	-	3,681	88	6,912
Interest on pooled investments	682	788	570	973	627	20	670	4,330
Interest on notes receivable	-	11	-	-	-	-	-	11
Rents and reimbursements	3,596	27	-	-	2,594	-	516	6,733
Other	1,314	213	266	732	10,972	2,016	421	15,934
<b>TOTAL REVENUES</b>	<b>58,348</b>	<b>34,459</b>	<b>24,327</b>	<b>3,535</b>	<b>19,415</b>	<b>5,717</b>	<b>19,655</b>	<b>165,456</b>
<b>EXPENDITURES</b>								
Current:								
Urban redevelopment and housing	39,472	16,913	13,931	23,955	6,068	162	11,805	112,306
Debt Service:								
Payment on advances	-	-	-	-	-	17,245	-	17,245
Retirement of long-term debt	-	-	-	-	-	29,620	-	29,620
Interest	-	-	-	-	-	26,391	-	26,391
Bond issuance cost	601	-	-	-	-	-	-	601
<b>TOTAL EXPENDITURES</b>	<b>40,073</b>	<b>16,913</b>	<b>13,931</b>	<b>23,955</b>	<b>6,068</b>	<b>73,418</b>	<b>11,805</b>	<b>186,163</b>
Excess (deficiency) of revenues over expenditures	18,275	17,546	10,396	(20,420)	13,347	(67,701)	7,850	(20,707)
<b>OTHER FINANCING SOURCES (USES)</b>								
Tax allocations bonds issued	38,755	-	-	-	-	-	-	38,755
Discount on bonds issued	(779)	-	-	-	-	-	-	(779)
Transfers in	857	-	-	32,884	-	73,174	969	107,884
Transfers out	(69,500)	(13,885)	(8,843)	(7,843)	(1,306)	-	(6,507)	(107,884)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,667)</b>	<b>(13,885)</b>	<b>(8,843)</b>	<b>25,041</b>	<b>(1,306)</b>	<b>73,174</b>	<b>(5,538)</b>	<b>37,976</b>
Change in fund balances	(12,392)	3,661	1,553	4,621	12,041	5,473	2,312	17,269
Fund balances (deficit) at beginning of year	160,244	119,812	101,241	98,343	70,966	(39)	48,603	599,170
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 147,852</b>	<b>\$ 123,473</b>	<b>\$ 102,794</b>	<b>\$ 102,964</b>	<b>\$ 83,007</b>	<b>\$ 5,434</b>	<b>\$ 50,915</b>	<b>\$ 616,439</b>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

Net change in fund balances - total governmental funds	\$	17,269
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets cost is allocated over their estimated useful lives and reported as depreciation expenses in the current period.		(152)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.		27,433
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.		
Principal of bonds issued	\$	(38,755)
Premiums and discounts on bonds issued		767
Bond issuance costs		601
Amortization of bond issuance costs		(542)
Retirement of long-term debt		29,620
Payment on advances		17,294
Interest on advances		(816)
Amortization of premiums and discounts		1,145
Amortization of refunding loss		(292)
Net changes in remediation cost		513
Additional accrued interest on bonds payable		(1,053)
Change in net assets of governmental activities	\$	<u>53,032</u>

See accompanying notes to the basic financial statements.

# NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

## 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Government-wide Financial Statements**

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

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

### **Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

The Agency reports the following major governmental funds:

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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

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

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

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

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

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

### **Investments**

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2009, and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

### **Pooled Cash and Investments**

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

### **Restricted Cash and Investments**

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



REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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

### **Property Held for Resale**

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

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

Property held for resale may, during the period it is held by the Agency, generate rental or operating income. This income is recognized as it is earned in the Agency's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development.

### **Capital Assets**

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

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

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

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Infrastructure	5-50 years

### **Environmental Remediation Costs**

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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

### **Fund Equity**

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

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

**Reserved for advances** – To account for assets owed from the City that will not be collected in time to be considered available for appropriation.

**Reserved for property held for resale** – To account for assets acquired by the Agency which are not available for appropriation.

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

### **Restricted Net Assets and Revenues**

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

### **Tax Increment Revenue**

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

### **Budgetary Data**

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. All of the Agency's budgets are 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, 2009

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**Deferred Revenue**

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

**Long-term Obligations**

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

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

**Estimates**

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

**(3) CASH AND INVESTMENTS**

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

The Agency's cash and investments consist of the following at June 30, 2009: (in thousands)

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 260,660
Restricted cash and investments	252,525
Total cash and investments	<u>\$ 513,185</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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the Agency's cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2009, the Agency's cash and investment pool totaled \$260.7 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2009 the Agency's investment in LAIF was \$41.2 million (\$38.6 million in pooled cash and investments and \$2.6 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$50.7 billion. Of that amount, 85.29% is invested in non-derivative financial products and 14.71% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members, as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the Agency's position in the pool.

**Custodial Credit Risk:**

At June 30, 2009, the carrying amount of the Agency's deposits was \$4.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$1.3 million was FDIC insured and \$2.7 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

**Credit Risk:**

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

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The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2009 (in thousands):

**Pooled Cash and Investments**

Ratings as of Fiscal Year Ended June 30, 2009

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>A-1/P1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 95,560	\$ 95,560	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	60,957	60,957	-	-
Money Market Funds	49,700	49,700	-	-
LAIF	38,643	-	-	38,643
Negotiable CDs	13,015	-	13,015	-
<b>Subtotal</b>	<b>\$ 257,875</b>	<b>\$ 206,217</b>	<b>\$ 13,015</b>	<b>\$ 38,643</b>
Deposits	2,785			
<b>Total</b>	<b>\$ 260,660</b>			

**Restricted Cash and Investments**

Ratings as of Fiscal Year Ended June 30, 2009

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>Not Rated</u>
Money Market Funds	\$ 248,668	\$ 248,668	\$ -
LAIF	2,604	-	2,604
<b>Total</b>	<b>\$ 251,272</b>	<b>\$ 248,668</b>	<b>\$ 2,604</b>
Deposits	1,253		
<b>Total</b>	<b>\$ 252,525</b>		

**Concentration of Credit Risk:**

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in single issuers. However, there is no limitation for investments issued by federal agencies or LAIF. The Agency has U.S. Government Agency Securities with Federal National Mortgage Association for \$49.8 million and Federal Home Loan Bank for \$69.7 million, which represents 9.78% and 13.69% of the total Agency portfolio respectively.

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

**Pooled Cash and Investments**

**Restricted Investments**

	% of			% of	
	Fair Value	Portfolio		Fair Value	Portfolio
U.S. Govt. Agency Securities	\$ 95,560	36.66%	Money Market Funds	\$ 248,668	98.47%
U.S. Govt. Agency Securities Disc.	60,957	23.39%	LAIF	2,604	1.03%
Money Market Funds	49,700	19.07%	Deposits	1,253	0.50%
LAIF	38,643	14.83%	<b>Total</b>	<b>\$ 252,525</b>	<b>100%</b>
Negotiable CDs	13,015	4.99%			
Certificates of Deposit	500	0.19%			
City Pooled Cash	2,285	0.88%			
<b>Total</b>	<b>\$ 260,660</b>	<b>100%</b>			

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

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2009, the Agency had the following investments and original maturities (in thousands):

**Pooled Cash and Investments**

	Fair Value	Interest Rates	Maturities		
			12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	\$ 95,560	0.41 - 4.53	\$ 15,161	\$ 48,589	\$ 31,810
U.S. Govt. Agency Securities Disc.	60,957	0.08 - 0.34	60,957	-	-
Money Market Funds	49,700	0.31 - 0.42	49,700	-	-
LAIF	38,643	1.38	38,643	-	-
Negotiable CDs	13,015	1.16 - 1.94	13,015	-	-
Certificates of Deposit	500	2.66	500	-	-
City Pooled Cash	2,285	N/A	2,285	-	-
<b>Total</b>	<b>\$ 260,660</b>		<b>\$ 180,261</b>	<b>\$ 48,589</b>	<b>\$ 31,810</b>

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**Restricted Investments**

	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturities</u>
			<u>12 Months or Less</u>
Money Market Funds	\$ 248,668	0.01 - 0.96	\$ 248,668
LAIF	2,604	1.38	2,604
Deposits	1,253	-	1,253
Total	<u>\$ 252,525</u>		<u>\$ 252,525</u>

**Restricted Investments in the Debt Service Funds**

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2009, the amounts held by the trustees aggregated \$252.5 million of which \$252.5 million is available to be used for restricted projects. All restricted investments held by trustees as of June 30, 2009 were invested in a money market mutual funds and LAIF, and were in compliance with the bond indentures.

Total Agency cash and investments as of June 30, 2009, are as follow (in thousands):

	<u>Equity in Pooled Cash and Investment</u>	<u>Restricted Cash and Investment With Fiscal Agent</u>	<u>Total Governmental Funds</u>
Central District	\$ 46,911	\$ 49,434	\$ 96,345
Coliseum	47,275	80,943	128,218
Central City East	35,527	66,114	101,641
Low and moderate housing	58,532	36,806	95,338
Oakland Army Base	35,500	-	35,500
Debt Service	763	4,671	5,434
Nonmajor governmental funds	36,152	14,557	50,709
TOTAL	<u>\$ 260,660</u>	<u>\$ 252,525</u>	<u>\$ 513,185</u>

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**(4) NOTES RECEIVABLE**

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2009, follows (in thousands):

	Central District	Coliseum	Low and Moderate Housing	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ 129,251	\$ -	\$ 1,462	\$ 130,713
Development loans	56,753	1,083	-	85	720	58,641
Small business loans	128	-	-	-	1,069	1,197
Gross notes receivable	56,881	1,083	129,251	85	3,251	190,551
Less: Allowance for uncollectible accounts	(12,134)	-	(33,551)	-	(1,043)	(46,728)
Net notes receivable	<u>\$ 44,747</u>	<u>\$ 1,083</u>	<u>\$ 95,700</u>	<u>\$ 85</u>	<u>\$ 2,208</u>	<u>\$ 143,823</u>

**(5) PROPERTY HELD FOR RESALE**

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

	<u>1-Jul-08</u>	<u>Increases</u>	<u>Decreases</u>	<u>30-Jun-09</u>
Property held for resale	<u>\$ 121,735</u>	<u>\$ 8,363</u>	<u>\$ 228</u>	<u>\$ 129,870</u>

The increases in Property Held for Resale represent the purchases of Telegraph Parking Garage from the City with a carrying value of \$0.78 million, \$1.42 million in the Coliseum project area for the development of Coliseum Transit Village and the purchase of \$6.16 million for development in the Central City East project area and a property sale of \$0.23 million in the Central City East project area.



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**(6) CAPITAL ASSETS**

Capital assets activity for the Agency for the year ended June 30, 2009, is as follows (in thousands):

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2009</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,360	\$ -	\$ -	\$ 3,360
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>3,360</u>	<u>-</u>	<u>-</u>	<u>3,360</u>
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>4,740</u>	<u>-</u>	<u>-</u>	<u>4,740</u>
Less accumulated depreciation:				
Facilities and improvements	1,213	152	-	1,365
<b>TOTAL ACCUMULATED DEPRECIATED</b>	<u>1,213</u>	<u>152</u>	<u>-</u>	<u>1,365</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>3,527</u>	<u>152</u>	<u>-</u>	<u>3,375</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 6,887</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 6,735</u>

The Agency has \$6.7 million capital assets, net of depreciation, for the fiscal year ended June 30, 2009. The Agency has leased the Fox Theater property valued at \$3.0 million to Fox Oakland Theater, Inc. through a sixty-year lease agreement. The Henry J. Robinson Multi-Service Center facility that provides major transitional housing and emergency shelter for the homeless population in Oakland depreciated at a rate of \$152 thousand annually.

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**(7) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Transfers (in thousands):**

	Transfers In				
	Central District	Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Fund
Transfers out:					
Central District	\$ -	\$ 12,944	\$ 56,556	\$ -	\$ 69,500
Coliseum	-	8,345	4,571	969	13,885
City Central East	-	5,798	3,045	-	8,843
Oakland Army Base	-	1,306	-	-	1,306
Low and Moderate Housing	350	-	7,493	-	7,843
Nonmajor Governmental Funds	507	4,491	1,509	-	6,507
TOTAL	\$ 857	\$ 32,884	\$ 73,174	\$ 969	\$ 107,884

The Central District, Coliseum, City Central East, Low & Moderate Housing, and Nonmajor Governmental Funds transferred funds to the Debt Service Fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing Fund, as reflected 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 \$1.0 million to Nonmajor Governmental Funds from the Coliseum Fund represents the 10% school set aside based on tax increment received in the Coliseum project area, net of the housing set aside, debt payment and the AB1290 mandatory pass through.

**(8) LONG-TERM DEBT**

**Current Year Long-Term Debt Financings**

On May 6, 2009, The Redevelopment Agency of the City of Oakland (the “Agency”) issued \$38,755,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the “Series 2009T Bonds”). The Series 2009T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency’s Central District Redevelopment Project Area. The Series 2009T Bonds are federally taxable with a final maturity of September 1, 2020; the interest rates of these bonds range from 5.30% to 8.50%

The Series 2009T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central District Redevelopment Project Area.

**Restructuring of Long-Term Debt**

On March 23, 2009, The Redevelopment Agency of the City of Oakland (the “Agency”) utilized unused proceeds of the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the “Series 2005 Bonds”) to purchase \$11,190,000 of the Series 2005 Bonds

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maturing on September 1, 2022 and \$1,200,000 of the Series 2005 Bonds maturing September 1, 2020 (the "Purchased Series 2005 Bonds"). The Agency tendered the Purchased Series 2005 Bonds for cancellation with trustee, and the Purchased Series 2005 Bonds have been cancelled and are no longer outstanding. Upon the cancellation of the Purchase Series 2005 Bonds, \$31,970,000 of the Series 2005 Bonds remains outstanding as of June 30, 2009.

**General Long-Term Obligations (in thousands)**

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>	<u>Due within One Year</u>
Tax Allocation Bonds	\$ 406,945	\$ 38,755	\$ (27,180)	\$ 418,520	\$ 14,245
Housing Set-Aside Revenue Bonds	89,465	-	(2,390)	87,075	2,565
General Obligation Bond	220	-	(50)	170	55
Total Bonds Payable	\$ 496,630	\$ 38,755	\$ (29,620)	\$ 505,765	\$ 16,865
Deferred amounts:					
Issuance premiums	11,032	-	(1,145)	9,887	1,113
Issuance discount	-	(779)	12	(767)	(69)
Refunding loss	(4,329)	-	292	(4,037)	(285)
Subtotal	\$ 503,333	\$ 37,976	\$ (30,461)	\$ 510,848	\$ 17,624
Army Base remediation costs	5,828	-	(328)	5,500	2,000
Uptown remediation costs	433	-	(426)	7	-
Fox Court remediation costs	379	-	(379)	-	-
Other remediation cost	-	620	-	620	320
Advances from City of Oakland	30,632	816	(17,294)	14,154	474
TOTAL	<u>\$ 540,605</u>	<u>\$ 39,412</u>	<u>\$ (48,888)</u>	<u>\$ 531,129</u>	<u>\$ 20,418</u>

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The following is a summary of long-term obligations as of June 30, 2009 (in thousands):

Type of Obligation	Final Maturity Year	Interest Rates	Amount
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Series 1992	2010 - 2014	5.50%	\$ 29,720
Central District Subordinated Tax Allocation Refunding Series 2003	2010 - 2020	5.00 - 5.50%	100,835
Central District Subordinated Tax Allocation Refunding Series 2005	2020 - 2022	5.00%	31,970
Central District Subordinated Tax Allocation Refunding Series 2006T	2010 - 2021	5.252 - 5.411%	27,975
Central District Subordinated Tax Allocation Refunding Series 2009T	2011 - 2021	5.305 - 8.5%	38,755
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE	2032 - 2036	5.00%	4,945
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T	2010 - 2032	5.283 - 5.587%	11,730
Central City East Tax Allocation Refunding Series 2006A-TE	2034 - 2036	5.00%	13,780
Central City East Tax Allocation Refunding Series 2006A-T	2010 - 2034	5.263 - 5.537%	59,885
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2010 - 2036	4.00 - 5.00%	27,765
Coliseum Area Tax Allocation Refunding Series 2006B-T	2010 - 2035	5.263 - 5.537%	<u>71,160</u>
Total Tax Allocation Bonds			418,520
General Obligation Bond - Tribune Tower	2010 - 2012	5.643%	<u>170</u>
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2000T	2010 - 2011	7.82%	4,290
Revenue Series 2006A	2018	5.00%	2,195
Revenue Series 2006A-T	2010 - 2037	5.219 - 5.927%	<u>80,590</u>
Total Subordinated Housing Set-Aside Bonds			<u>87,075</u>
TOTAL BOND PAYABLE			<u><u>\$ 505,765</u></u>

## Revenues Pledged for the Repayment of Debt Service

### Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which is comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,456,252,933. These revenues have been pledged until the year 2036, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$693,869,724 which is 20.1 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$131,536,000, of which \$48,647,152 was used to pay debt service.

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**Housing Bonds**

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$932,571,602 and \$233,142,901, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$155,472,013, which is 13.3 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$32,884,000, of which \$7,512,084 was used to pay debt service.

**Advances from City to the Redevelopment Agency**

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2009 the total outstanding balance was \$14.2 million, comprised of the following (in thousands):

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>	<u>Due within One Year</u>
Central District	\$ 16,533	\$ -	\$ (16,533)	\$ -	\$ -
Oak Center	13,737	816	(700)	13,853	400
Stanford/Adeline	188	-	(53)	135	66
West Oakland	174	-	(8)	166	8
<b>TOTAL</b>	<u>\$ 30,632</u>	<u>\$ 816</u>	<u>\$ (17,294)</u>	<u>\$ 14,154</u>	<u>\$ 474</u>

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

**Outstanding Defeased Bonds**

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$46.1 million at June 30, 2009.

**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.

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**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, 2009 (in thousands).

<b>Year ending June 30:</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2010	\$ 16,865	\$ 27,422
2011	19,365	27,099
2012	20,365	26,039
2013	21,645	24,929
2014	23,580	23,712
2015 - 2019	130,810	97,243
2020 - 2024	118,055	56,052
2025 - 2029	47,240	36,313
2030 - 2034	61,880	21,231
2035 - 2037	45,960	3,726
<b>TOTAL</b>	<b>\$ 505,765</b>	<b>\$ 343,766</b>

**Conduit Debt**

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2009, there was one series of certificates outstanding with an aggregate principal amount payable of \$10.4 million. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

**(9) TRANSACTIONS WITH THE CITY OF OAKLAND**

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2009, the Agency reimbursed the City \$35.5 million for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$17.8 million for the fiscal year ended June 30, 2009; \$17.2 million in loan principal and \$0.6 million in interest expense.

**(10) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. (“FOT”) DEVELOPMENT**

FOT is a 501(C)(3) organization set up by and for the benefit of the Agency and the City set up to renovate the Fox Theater. The Agency transferred the Fox Theater property to FOT in August 2006 through a long-term lease and a Disposition and Development Agreement (“DDA”) which included a \$25,500,000 loan. The Fox Theater property was held by the Agency as property held for resale. During 2008, the property was transferred to a capital asset due to the long-term lease which was valued at \$6,500,000 in the lease and DDA. All FOT board members are City employees and FOT has no staff. FOT set up a for profit entity, Fox Theater Manager, Inc (“FT Manager”), and then two LLCs managed by FT Manager, Fox Theater Landlord LLC and Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is secured by a pledge and assignment of borrowers ninety nine and nine-tenths percent (99.9%) interests in the Community Development Entities (CDEs) loans entered into between FOT and Fox Oakland Investment Fund (FOIF).

The outstanding principal balance of the FOT loan shall accrue interest at the rate of 2.5 percent, commencing on the date of disbursement and compounded annually, which will only be payable to the extent of borrower’s net cash flow from operations.

Loan terminates at the end of ten years unless the borrower defaults on the agreement in which case the lender declares an acceleration of the maturity.

In FY 2008-09 the Agency loaned an additional \$7.45 million to FOT and approved an additional loan of \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$7.45 million FOT loan has a 30 year term and is non-interest bearing. The \$1.45 million loan will be executed and funded in the FY 2009-10. The Agency also funded a \$1.2 million loan to Friends of the Oakland Fox and a \$2.3 million loan to Oakland School for the Arts, both of which are unrelated 501(c)(3) organizations that participated in the development and/or are tenants in the facility. The Agency also gave a \$2.0 million grant to GASS Entertainment LLC for tenant improvements for the Theater.

## **(11) COMMITMENTS AND CONTINGENCIES**

### **Oakland Redevelopment Agency**

As of June 30, 2009, the Agency entered into contractual commitments of approximately \$57.2 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2009, the Agency committed to funding \$53.0 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

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

### **Uptown Project Environmental Remediation**

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2009, environmental remediation clean up activities are nearly completed except for ground water monitoring that is estimated at \$7 thousand.

### **Fox Court Environmental Remediation**

The Fox Court area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. During fiscal year 2009, the cleanup of the property was completed, and the property was sold to an independent developer.

### **Oakland Army Base Environmental Remediation**

Land originally conveyed to OBRA from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance



REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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premium. Of the \$13.0 million grant, \$12.4 million has been spent which has been reimbursed or invoiced to the grantor as of June 30, 2009. The remaining \$0.6 million of grant expenditures will be shared between the Agency and the Port.

The next \$11.0 million of environmental remediation costs are to be shared equally by the Agency and the Port. As a result, the Agency reports its share of \$5.5 million remediation obligation on Oakland Army Base project. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21.0 million that are not covered by insurance. The Agency believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

## **(12) SUBSEQUENT EVENTS**

### **Supplemental Education Revenue Augmentation Fund**

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency issued a resolution no. 2009-0090 amending the fiscal year 2010-11 biennial budget to revise FY 2009-10 revenue projections and to provide payments to the SERAF and amending resolution no. 01-85 to provide for a portion of the payments to the SERAF to come from the Agency's voluntary five percent contribution to the low and moderate income housing fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA files lawsuit on October 20, 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

**COMBINING FINANCIAL  
STATEMENTS and  
SUPPLEMENTAL  
INFORMATION**

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2009

(In Thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 2,558	\$ 9,177	\$ 12,726	\$ 9,784	\$ 1,907	\$ 36,152
Tax increment receivable	22	100	145	39	-	306
Accrued interest receivable	8	29	40	37	5	119
Advances to the City	17	5	-	19	441	482
Notes receivable, net	509	-	-	1,699	-	2,208
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	14,557	-	-	-	14,557
<b>TOTAL ASSETS</b>	<b>\$ 3,114</b>	<b>\$ 23,868</b>	<b>\$ 12,911</b>	<b>\$ 15,989</b>	<b>\$ 2,353</b>	<b>\$ 58,235</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts Payable	\$ 24	\$ 149	\$ 161	\$ 18	\$ 166	\$ 518
Due to the City	-	610	764	310	1	1,685
Due to other governments	-	702	1,150	266	-	2,118
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	531	100	145	1,738	441	2,955
<b>TOTAL LIABILITIES</b>	<b>567</b>	<b>1,586</b>	<b>2,220</b>	<b>2,333</b>	<b>614</b>	<b>7,320</b>

**FUND BALANCES**

Reserved for advances	17	5	-	19	268	309
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for approved capital projects/activities	2,530	22,277	10,691	9,226	-	44,724
Unreserved	-	-	-	-	1,471	1,471
<b>TOTAL FUND BALANCES</b>	<b>2,547</b>	<b>22,282</b>	<b>10,691</b>	<b>13,656</b>	<b>1,739</b>	<b>50,915</b>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,114</b>	<b>\$ 23,868</b>	<b>\$ 12,911</b>	<b>\$ 15,989</b>	<b>\$ 2,353</b>	<b>\$ 58,235</b>
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**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year ended June 30, 2009  
(In Thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	TOTAL
<b>REVENUES</b>						
Tax increment	\$ 1,286	\$ 5,913	\$ 8,588	\$ 2,173	\$ -	\$ 17,960
Interest on restricted cash and investments	-	88	-	-	-	88
Interest on pooled cash and investments	42	145	203	241	39	670
Rents and reimbursements	36	-	-	480	-	516
Other	59	54	40	262	6	421
<b>TOTAL REVENUES</b>	<u>1,423</u>	<u>6,200</u>	<u>8,831</u>	<u>3,156</u>	<u>45</u>	<u>19,655</u>
<b>EXPENDITURES</b>						
Current:						
Urban redevelopment and housing	389	4,104	3,933	3,329	50	11,805
<b>TOTAL EXPENDITURES</b>	<u>389</u>	<u>4,104</u>	<u>3,933</u>	<u>3,329</u>	<u>50</u>	<u>11,805</u>
Excess (deficiency) of revenues over expenditures	1,034	2,096	4,898	(173)	(5)	7,850
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	969	-	969
Transfers out	(322)	(2,200)	(2,161)	(1,824)	-	(6,507)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(322)</u>	<u>(2,200)</u>	<u>(2,161)</u>	<u>(855)</u>	<u>-</u>	<u>(5,538)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND Change in fund balances</b>	712	(104)	2,737	(1,028)	(5)	2,312
Fund balances at beginning of year	1,835	22,386	7,954	14,684	1,744	48,603
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 2,547</u>	<u>\$ 22,282</u>	<u>\$ 10,691</u>	<u>\$ 13,656</u>	<u>\$ 1,739</u>	<u>\$ 50,915</u>



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

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Finding 2009-01).



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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

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

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

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

*Williams, Adley & Company, LLP*

Oakland, California  
November 19, 2009

Redevelopment Agency of the City of Oakland  
Schedule of Findings and Responses  
June 30, 2009

Significant Deficiency

Finding 2009-01 – Period-End Reporting Process

Condition: There were ineffective controls over the period-end financial reporting process.

Criteria: Although there are written policies and procedures for the recording of transactions into the general ledger and closing the books at the end of the year, we observed a property purchase transaction recorded in the incorrect period. The \$695,000 purchase of 5847 & 5841 Foothill Blvd. was actually completed July 15, 2009, but it was recorded in the June 30, 2009 financial statements.

Cause: A lack of review caused the improper recording of the transaction.

Effect: Transactions recorded in the incorrect period if undetected can cause material misstatement to the financial statements.

Recommendation: We recommend that the Agency provide additional training to accounting personnel.

Management response: Even though there is no material impact on the Agency's financial statements, management agrees with the finding and will provide additional training and guidance for staff responsible for report preparation.

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**APPENDIX C**  
**REPORT OF THE FISCAL CONSULTANT**

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**THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT**

**Second Lien Tax Allocation Bonds, Series 2010T  
(Federally Taxable Recovery Zone Economic Development Bonds – Direct Payment)**

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

**September 30, 2010**

**I. Introduction**

The Redevelopment Agency of the City of Oakland (the Agency) is proposing to issue its Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds - Direct Payment) (referred to as the Series 2010-T Bonds) secured by the Tax Revenues derived from the Agency’s Broadway/MacArthur/San Pablo Redevelopment Project (the “Project Area”). The Bonds will be issued to: (i) finance certain redevelopment activities within or to the benefit of the Project Area; (ii) satisfy the Reserve Requirement for the Series 2010-T Bonds; and (iii) pay the costs associated with the issuance of the Series 2010-T 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 incurred to finance redevelopment activities within the Project Area.

The purpose of this Fiscal Consultant’s Report is to examine the assessed values for the current fiscal year and project for nine 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 and the Housing Set-Aside Requirement. Second Lien Tax Revenues are Tax Revenues less payment of those obligations with a lien on Tax Revenues that is subordinate to the pledge of Tax Revenues to payment of debt service on the Bonds. As a result of our research, we project the Tax Revenue for the Project Area to be as shown in Table A below (000’s omitted):

<b>Table A Projected Tax Revenues</b>				
<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>SB2557 Admin. Fee</b>	<b>Housing Set-Aside</b>	<b>Tax Revenues</b>
<b>2010-11</b>	\$ 4,911	(\$ 36)	(\$ 982)	<b>\$ 3,893</b>
<b>2011-12</b>	4,898	( 36)	( 980)	<b>3,883</b>
<b>2012-13</b>	5,050	( 37)	( 1,010)	<b>4,004</b>
<b>2013-14</b>	5,205	( 38)	( 1,041)	<b>4,127</b>
<b>2014-15</b>	5,363	( 39)	( 1,073)	<b>4,252</b>
<b>2015-16</b>	5,524	( 40)	( 1,105)	<b>4,379</b>
<b>2016-17</b>	5,695	( 41)	( 1,139)	<b>4,514</b>
<b>2017-18</b>	5,868	( 43)	( 1,174)	<b>4,652</b>
<b>2018-19</b>	6,046	( 44)	( 1,209)	<b>4,793</b>
<b>2019-20</b>	6,226	( 45)	( 1,245)	<b>4,936</b>

The taxable values of property and the resulting Tax Revenues summarized above are reflected on Table 1 of each set of projections that are attached to this report. As defined above, Tax Revenues reflect the Agency's revenues after provision for property tax administration charges by the County (See Section IV G) and the Housing Set-Aside Requirement (See Section V). These projections are based on assumptions

**Redevelopment Agency of the City of Oakland  
Final Fiscal Consultant's Report  
September 30, 2010, Page 2**

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 (the 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 (HdLCC).

**II. The Project Area**

The Broadway/MacArthur/San Pablo Redevelopment Project Area Plan was adopted on July 25, 2000 by City Council Ordinance No. 12269. The Project Area consists of two sub-areas in the northern portion of the City of Oakland (the City) and totals 676 acres. The Broadway/MacArthur sub-area includes the Broadway Auto Row and Telegraph Avenue between 27<sup>th</sup> Street and 42<sup>nd</sup> Street. The San Pablo sub-area includes the Golden Gate neighborhood along San Pablo between 53<sup>rd</sup> and 67<sup>th</sup> Streets.

**A. Land Use**

The following Table B illustrates the breakdown of land uses within the Project Area by taxable assessed value for Fiscal Year 2010-11. It is based on the lien date tax roll for fiscal year 2010-11. 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.

<b>Table B Project Area Land Use Categories</b>			
<b>Category</b>	<b>Parcels</b>	<b>Assessed Value</b>	<b>%</b>
Residential	1,329	\$375,206,153	48.04%
Commercial	397	\$301,870,343	38.65%
Industrial	41	\$34,830,776	4.46%
Recreational	4	\$4,655,392	0.60%
Institutional	23	\$3,487,593	0.45%
Vacant	58	\$20,885,734	2.67%
Exempt	37	\$0	0.00%
SBE Non-Unitary Utilities		\$139,271	0.02%
Unsecured		\$40,008,932	5.12%
<b>Totals:</b>	<b>1,889</b>	<b>\$781,084,194</b>	<b>100.00%</b>

Table C below breaks down the residential parcel category by type and shows the number of residential parcels and assessed value that is attributable to each type of residential property.

<b>Table C Residential Use Parcels by Type</b>				
<b>Residential Type</b>	<b>No. Parcels</b>	<b>% of Total</b>	<b>Assessed Value</b>	<b>% of Total</b>
2-4 Unit (Duplex-Fourplex)	386	29.04%	\$ 96,936,835	25.84%
5+ Multi-Family/Condominium	450	33.86%	168,231,474	44.84%
PUD/Townhomes	75	5.64%	28,348,302	7.56%
Single Family Detached	418	31.45%	81,689,542	21.77%
<b>Totals</b>	<b>1,329</b>	<b>100.00%</b>	<b>\$ 375,206,153</b>	<b>100.00%</b>

**B. Redevelopment Plan Limits**

Chapter 942, Statutes of 1993, established limits on redevelopment plans adopted after December 31, 1993. The redevelopment plan for the Project Area was adopted after December 31, 1993. Chapter 942 specified that the effectiveness of a redevelopment plan adopted after 1993 shall expire 30 years from the date of adoption of the Redevelopment Plan. The time limit for establishing indebtedness is 20 years from the date of adoption of the redevelopment plan and the Agency may repay indebtedness for a total of 45 years from the date of the adoption of the redevelopment plan. Any eminent domain proceedings undertaken by the Agency must be initiated within 12 years of the adoption date of the redevelopment plan.

Pursuant to Senate Bill 1045 (see Section VI) the City Council may extend the term of the Project Area's redevelopment plan effectiveness. The City Council has not yet acted to extend the redevelopment plan effectiveness for the Project Area. We have assumed in the projections that the Project Area will not be extended by one year pursuant to SB 1045. While it is likely that this one year extension will ultimately be adopted for the Project Area, such action cannot be guaranteed..

Pursuant to Senate Bill 1096 (see Section VI) the Agency may, as described below, extend the term of effectiveness for certain redevelopment plans and the periods within which the Agency may repay indebtedness by up to two additional years. This two year extension of the time limits is predicated upon the payment by the Agency of its ERAF obligations for 2005 and 2006 (See Section VI). The ERAF obligations for 2005 and 2006 have been paid. For project areas that have less than 10 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized. For project areas that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005 a two year extension is authorized if the City Council can make certain findings. For those project areas with more than 20 years of plan effectiveness remaining after June 30, 2005 no extension of time is authorized. The effectiveness of the redevelopment plan for the Project Area could not be extended under Senate Bill 1096.

The Redevelopment Plan limits described above and as they apply to the Project Area are summarized below in Table D:

**Table D  
 Applicable Redevelopment Plan Limits**

<u>Plan Expiration</u>	<u>Last Date to Incur New Debt</u>	<u>Last Date to Repay Debt with Tax Increment</u>	<u>Outstanding Bonded Indebtedness Limit</u>	<u>Tax Increment Limit</u>
July 25, 2030	July 25, 2020	July 25, 2045	\$100 million	No Limit

**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 that 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 ten fiscal years of the Project Area's existence beginning with 2001-02 (see Table 3 for the Project Area). The following Table E tracks the value history for the Project Area.

**Table E**  
**Historical Assessed Values**

<u>Fiscal Year</u>	<u>Secured Value</u>	<u>Unsecured Value</u>	<u>Net Taxable Value</u>	<u>Incremental Value</u>	<u>Annual % Change</u>
2001-02	\$381,920,348	\$43,407,397	\$425,328,045	<b>\$ 62,892,396</b>	
2002-03	400,690,951	36,812,122	437,503,073	<b>75,067,424</b>	2.86%
2003-04	456,609,938	35,777,485	492,387,423	<b>129,951,774</b>	12.54%
2004-05	474,397,423	37,537,333	511,934,756	<b>149,499,107</b>	3.97%
2005-06	527,011,907	37,961,275	564,973,182	<b>202,537,533</b>	10.36%
2006-07	629,794,359	44,878,966	674,673,325	<b>312,237,676</b>	19.42%
2007-08	725,921,005	44,176,911	770,097,916	<b>407,662,267</b>	14.14%
2008-09	790,748,414	40,054,252	830,802,666	<b>468,367,017</b>	7.88%
2009-10	748,637,955	40,290,984	788,928,939	<b>426,493,290</b>	-5.04%
2010-11	741,075,262	40,008,932	781,084,194	<b>418,648,545</b>	-0.99%

Overall the strong real estate market in the Bay Area was manifested in substantial growth in the Agency's Project Area from its initial year of 2001-02 through 2008-09. The general downturn in the State's economy has been reflected in the reductions of value for 2009-10 and 2010. The larger reduction of value occurred in 2009-10. This reduction was characterized by a loss in residential value of \$18.7 million (4.6%) and a loss of \$11.1 million (30.4%) in industrial value. A further decline in residential value was experienced for 2010-11. For this year, residential values dropped by an additional \$17.7 million (4.5%). The loss in residential value for 2010-11 was mitigated to a great degree by a resurgence of value among industrial properties. Industrial values rose for 2010-11 by \$9.5 million (37.5%). Vacant property values declined for 2010-11 by \$10.03 million (32.4%) but this was partially attributable to a reduction of the number of parcels that are categorized as vacant from 72 parcels in 2009-10 to 58 such parcels in 2010-11.

### Residential Real Estate Values

In response to the down-turn in real estate values state-wide, the Alameda County Assessor reviewed the values of residential parcels within the County. In 1978, California voters passed Proposition 8. This constitutional amendment allows a temporary reduction in assessed value when a property suffers a "decline in value." A decline in value occurs when the current market value of a property is less than the current assessed value as of the lien date. Under the terms of Proposition 8, it is the Assessor's obligation to assess all properties at the lesser of current market value or at the property's base value as adjusted for inflation and for any changes that have occurred to the property since it was last purchased.

Properties that have their values reduced to the current market value are annually reviewed by the Assessor to determine the new market value of the property. The value that is enrolled each year is the lesser of the current market value or the property's base adjusted base value. Adjusting the property's value to the current market value may entail a further decrease in value or an increase in value that is not limited by constitutional restriction on annual value increases. Once the property has once again reached its adjusted base value, it may be increased in value only by the rate of inflation to a maximum annual rate of two percent as required by the constitution. Residential properties make up 48.04% of the value of all properties within the Project Area. A review of residential values over the past five years shows that in the Project Area residential values increased in each fiscal year except for 2009-10 and 2010-11. For these years residential property values declined by \$18.7 million (-4.55%) and \$17.7 million (-4.5%) respectively. The decline in residential property values within the entire City of Oakland for 2009-10 was -5.6% and for 2010-11 the decline in residential value was -3.96%. For fiscal year 2010-11 there are a total of 358 residential parcels within the Project Area that have experienced assessed value reductions greater than would be expected from the negative inflationary adjustment for this fiscal year. Some of these have had their values adjusted pursuant to Prop 8 and some may have experienced a reduction in value due to transfers of ownership. This is 26.9% of all residential parcels in the Project Area. From 2009-10 to 2010-11 the value of these parcels was reduced by the County Assessor by \$35,898,318 (-18.89%).

**B. Top Ten Taxable Property Owners**

A review of the top ten taxable property owners in the Project Area for fiscal year 2010-11 was conducted. A list of the top ten property owners for the Project Area, and the number of parcels attributed to each owner, are presented on Table 4 of the tax increment projection. Four of the top ten taxpayers in the Project Area have assessment appeals that are currently pending. Table F below illustrates the values and percentages of total and incremental values attributable to the top ten taxpayers within the Project Area.

**Table F  
 Top Ten Taxpayer Assessed Values**

<u>Top 10 Taxpayers Combined Assessed Value</u>	<u>Project Area Assessed Value</u>	<u>Top 10 Taxpayers % of Assessed Value</u>	<u>Project Area Incremental Value</u>	<u>Top 10 Taxpayers % of Incremental Value</u>
\$147,784,577	\$781,084,194	18.92%	\$418,648,545	35.30%

Despite the large amount of assessed value within the Project Area, the concentration of incremental value among the top ten taxpayers is fairly high. This high concentration is mainly attributable to the fact that the Project Area is only ten years old and it has not had sufficient time to develop significant diversity of value. The concentration of value among the top tax payers is declining annually. The top ten taxpayers controlled value that was 41.39% of the Project Area's total incremental value in 2006-07. For 2010-11 the top ten taxpayers control assessed value that was 35.30% of the Project Area's total incremental value.

**IV. Tax Allocation and Disbursement**

**A. Property Taxes**

The taxable values of property are established each year on the January 1 property tax lien date. Real Property reflects the reported assessed values for secured and unsecured land and improvements. Article XIII A of the California Constitution (Proposition 13) provides that a base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a base year value is first enrolled, the value is factored annually for inflation. Pursuant to Article XIII A, section 2(b), and Revenue and Taxation Code Section 51, the percentage increase cannot exceed two percent of the prior year's value.

To interpret section 51, the State Board of Equalization (Board) promulgated Property Tax Rule 460, General Application. Subdivision (a) of Rule 460 provides the general interpretation of Proposition 13 as follows:

(a) Sections 1 and 2 of Article XIII A of the Constitution provide for a limitation on property taxes and a procedure for establishing the current taxable value of locally assessed real property by reference to a base year full cash value which is then modified annually to reflect increase in the inflation rate not to exceed two percent per year or declines in value from whatever cause.

Specifically, with respect to the applicable inflation rate, Rule 460, subdivision (b)(5) states that:

(b)(5) INFLATION RATE. For each lien date after the lien date in which the base year value is determined, the full value of real property shall be modified to reflect the percentage change in cost of living, as defined in Section 51 of the Revenue and Taxation Code; provided that such value shall not reflect an increase in excess of two percent of the taxable value of the preceding lien date.

Each year the Board announces the applicable adjustment factor. Since in most years inflation has exceeded two percent, the announced factor has usually reflected the two percent cap. On five occasions, inflation has been less than two percent. In those years, the announced factor resulted in an inflation

adjustment of less than 2 percent. In the more than 30 years since the passage of Proposition 13, the annual adjustment has never resulted in a reduction to base year values; however, based on inflation data from the United States Bureau of Labor Statistics, the announced factor for 2010-11 resulted in reductions to base year values. The final factor was based on price level changes that occurred from October, 2008 through October, 2009. The California Consumer Price Index (CCPI) dropped sharply (three percent) between October, 2008 and December, 2008; however, it rose in subsequent months. The adjustment factor for the January 1, 2010 assessment date was -0.237%.

Because Section 51 does not distinguish between positive and negative changes in the CCPI, and because Article XIII A, section 2(b) of the California Constitution specifically provides adjustments based upon reductions in the CCPI, it is the opinion of the Board that Section 51 requires inflation factor adjustments that may be positive or negative. If positive, the increase is limited to two percent, however, there is no such limitation to downward adjustments, including instances in which the net change to the CCPI is zero or less than zero percent. Based on the current CCPI data for October 2009 through June 2010 we have predicated our projections on an estimated adjustment of 0.5% for fiscal year 2011-12 and assumed resumption of two percent annual growth thereafter.

Utility property assessed by the Board 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, inventory and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

**B. Supplemental Assessments**

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. In the first year in which it occurs, 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 revenues resulting from Supplemental Assessments in our projections. Table G below illustrates the amounts of supplemental revenue allocated to the Project Area for fiscal years 2001-02 through 2009-10.

<b>Table G</b>	
<b>Supplemental Revenue History</b>	
<u>Fiscal Years</u>	<u>Supplemental Revenue</u>
2001-02	0
2002-03	179,850
2003-04	9,987
2004-05	244,553
2005-06	577,266
2006-07	706,671
2007-08	500,690
2008-09	406,451
2009-10	<u>80,455</u>
<b>Cumulative Totals</b>	<b>\$2,705,923</b>



**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.

A Constitutional amendment approved in June 1983 allows the levy of Override Tax Rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation of Override taxes to redevelopment agencies for repayment of indebtedness approved by the voters after December 31, 1988. The Override Tax Rates typically decline each year as a result of (1) increasing property values (which would reduce the Override 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, Bay Area Rapid Transit and the City of Oakland. These portions of the Override Tax Rate have been omitted from the calculation of projected revenue.

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. The projections of unsecured revenue properly use the 2009-10 secured tax rates. 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 value in the Project Area for 2010-11 are as follows:

<u>RDA Eligible Tax Rates</u>	<u>Final FY of RDA Eligible Tax Rate Effectiveness</u>	<u>%</u>
General Levy		1.0000
East Bay Regional Park 1	2019-20	.0084
EBMUD Special District 1	2014-15	.0067
City of Oakland	2025-26	<u>.1575</u>
<b>Total RDA Eligible Tax Rate:</b>		<b>1.1726</b>
<u>Non-RDA Eligible Tax Rates</u>		
Oakland U.S.D. Bonds		.1267
Peralta Community College Dist.		.0430
Bay Area Rapid Transit		.0031
City of Oakland		<u>.0632</u>
Total Tax Rate:		1.4086

The Override Rate levied by the City of Oakland is authorized for long term funding of pension funds and has been authorized through 2026. The Override Rate levied by the East Bay Regional Parks District will not be retired until 2020 and the EBMUD Special District override rate will be retired in 2015. We have incorporated the appropriate retirement dates of these Override Tax Rates in the projection and have assumed the combined RDA eligible portion of the override tax rates will decline to only the one percent general tax levy after the expiration or retirement of the existing Override Rates authorized prior to December 31, 1988.

**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 May of each fiscal year. The County allocates supplemental revenues to redevelopment agencies in two installments. The first is allocated in March and includes such supplemental roll collections as have been received through January 31 of the fiscal year.

The second allocation is made in June and includes supplemental roll collections as have been received through May 31 of the fiscal year. Unitary utility revenues may be allocated with any of the four normal remittances but is primarily allocated in December and May with roughly half being allocated in each remittance.

Based on the tax increment allocation methodology used in Alameda County redevelopment agencies receive 100 percent of the taxes levied on the extended tax roll without regard to roll corrections, delinquency 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. The interpretation of the Law under which the Auditor-Controller allocates tax increment revenue is consistent with the interpretations of a number of other counties in the State.

**E. Annual Tax Receipts to Tax Levy**

It is the practice of the Auditor-Controller to allocate to redevelopment agencies 100% of the revenue projected by the equalized tax roll. The Agency thereby receives 100 percent of the secured, unsecured and unitary taxes levied on the extended tax roll without regard to corrections, cancellations and refunds. As discussed above, the tax revenues of the Agency are not subject to revenue loss due to delinquencies or gains due to redemptions. Because this methodology is the administrative practice of the County, it is subject to change, however, the Auditor-Controller has given no indication that any change is being contemplated. Revenues that are derived from the supplemental tax roll are allocated to the Agency under a separate methodology (see Section IV B, Supplemental Assessments).

**F. Assessment Appeals**

A review of assessment appeals data provided by the County has been made. Assessment appeals for 2007-08 through July 09, 2010 were included in the data. There was a large drop-off of appeal activity after the mid-1990's and the Agency was subjected to little in the way of value losses due to appeals until the past two years. The number and size of assessment appeals is, however, has increased. Based on the assessment appeal activity since 2007-08 we have determined the number of appeals filed, the number allowed and denied and the average amounts of value that these appeals are successful in removing from the tax rolls. The averages are then used to make estimations of the number of appeals that may be approved and the estimated amount of value loss that will be experienced. The estimated reductions in value from pending assessment appeals are incorporated into our projection of Tax Revenue. Table H below summarizes our estimates:

**Table H  
 Assessment Appeals Summary**

<b>Total No. of Appeals</b>	<b>No. of Resolved Appeals</b>	<b>No. of Successful Appeals</b>	<b>Average Reduction</b>	<b>No. &amp; Value of Appeals Pending</b>	<b>Est. No. of Appeals Allowed</b>	<b>Est. Reduction on Pending Appeals Allowed (2011-12 Value Adjustment)</b>
108	31	10	-20.38%	77 (\$109,189,007)	25	\$7,179,810

The Project Area assessed values for 2011-12 are projected to be \$787,672,592. The estimated reduction of assessed values due to pending assessment appeals for 2011-12 is 0.91% of the projected assessed values. After factoring in the estimated reduction of values due to pending assessment appeals, the 2011-assessed values are reduced to \$780,456,882.

Our estimates of value loss due to assessment appeals are based on historic averages. The average number of resolved assessment appeals that resulted in reductions of value and the average reduction in value for those successful appeals are factored against the number of assessment appeals that are currently pending. Using these averages we estimate the number of pending appeals that may be allowed and the amount of value reduction that may be expected from these potentially successful appeals. The estimated reduction in value is deducted from the projected values for 2011-12. Actual reductions in value resulting

from actions by the County Appeals Board may vary significantly from historical averages. HdLCC makes no representation that our estimates will be realized.

Three of the top ten taxpayers have filed assessment appeals during the period reviewed. Table I below outlines the amount of value at risk from top taxpayer pending assessment appeals. All pending appeals are for the 2009-10 tax roll.

**Table I  
Top Taxpayer Pending Assessment Appeals**

<u>Owner</u>	<u>No. Parcels Appealed</u>	<u>Value Under Appeal</u>	<u>Owners Opinion of Value</u>	<u>Max. Potential Value Loss</u>
SKB Webster LLC and Broadway Saratoga	1	\$26,523,710	\$13,250,000	\$13,273,710
Westpark II	1	12,723,466	7,003,411	5,720,055
Courthouse Associates LLC	5	7,864,200	2,000,000	5,864,200
3640 Associates and BW30 Associates LP	4	6,819,242	3,991,488	2,827,754

#### **G. County Property Tax Collection Reimbursement**

Chapter 466, adopted by Senate Bill 2557, allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The amounts that are reimbursed are the costs connected with the collection and distribution of property taxes for the Tax Collector, the Auditor Controller and the Assessor. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents.

The Property Tax Collection Reimbursement Charge for 2010-11 has not yet been established by the County Auditor-Controller. The Property Tax Collection Reimbursement charge for 2009-10 was \$36,348. This amount was 0.73% of the Project Area's Gross Revenue for that year. For purposes of this projection, it is assumed that the Property Tax Collection Reimbursement will continue to be 0.73% of the Project Area's Gross Revenue for the period of the projection.

#### **H. Allocation of State Assessed Unitary Taxes**

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (SBE), other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, 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 values of project areas were reduced by the amount of utility value that existed originally in the base year value. Because the Project Area was adopted after 1994, the amount of unitary revenue allocated to it is very small and is limited to amounts generated by annual utility value growth that was in excess of two percent. The County Auditor-Controller allocated unitary revenue to the Project Area for 2009-10 in the amount of \$1,695. We have assumed that the utility tax revenue will remain constant in future years.

## **V. Low and Moderate Income Housing Set-Aside**

All redevelopment agencies are required to set aside 20 percent of all project area tax increment revenues into a low and moderate income housing fund (the Housing Set-Aside Revenues). An agency can reduce the Housing Set-Aside Revenues 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, increase or preserve 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 in prior years, no such findings have in recent years been made by the Agency. As a result, 20 percent of gross revenue has been projected as being set aside from the Project Area. The Agency has voluntarily determined to set-aside an additional five percent of Project Area revenues for furtherance of affordable housing. This additional five percent of Project Area revenues is to be set-aside only in those years when debt service coverage is in excess of 1.2 times debt service. This additional set-aside amount is reflected as subordinate to the pledge of Tax Revenues for payment of debt service on the Bonds.

The Agency has previously issued Housing Bonds secured by a pledge of the Housing Set-Aside amounts from the Project Area and from the Agency's other project areas. This pledge of revenues will have no effect on the pledge of Tax Revenues for the Bonds.

## **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. If a redevelopment plan is so amended, existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will commence in the year the eliminated limit would have taken effect. 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. The Agency has adopted an amendment to the Redevelopment Plan eliminating the limit on incurring new debt and the required statutory tax sharing payments were initiated in fiscal year 2004-05.

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 paid 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. The Agency made the required payments for these fiscal years.

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 the state budget shortfall. AB 1768

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(Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor. Based upon the methodology provided in the 2002-03 budget, the shift requirement for the Agency was \$1,267,072 for fiscal year 2002-03 only. This amount did not impact the Agency's ability to fulfill its bond payment 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 deadline of May 10, 2003.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County Education Revenue Augmentation Funds (ERAF) which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04. The amount of revenue that was transferred by the Agency to the County for 2003-04 was \$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 the Constituent Project Area Redevelopment Plans to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years are not counted towards the limit on the amount of cumulative tax increment revenues to be received by the Agency. The City Council has not adopted an amendment to the Redevelopment Plan so extending its expiration date. By approval of such an amendment, the City Council could at any time extend by one year the effective life of the Redevelopment Plan to July 25, 2031 and similarly extend the period within which the Agency may repay indebtedness from tax increment revenues to July 25, 2046.

The State's budget for 2004-05 was approved by the legislature and signed by the Governor. Senate Bill 1096 was a trailer bill that dealt with local government. Pursuant to SB 1096, redevelopment agencies in the State lost \$250 million to ERAF in each of the fiscal years 2004-05 and 2005-06. The amounts that were paid by each agency were calculated by using the same formula as was used for 2003-04. Annual payments continued to be due on May 10 of each fiscal year. As in previous years, payments could be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it could have borrowed up to 50 percent of that years housing set-aside amount, however, the borrowed amount had to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 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, SB 1096 provided that redevelopment plans were allowed to be extended by one year for each year that an ERAF payment was made per SB 1096. 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 made findings that the Agency was in compliance with specified state housing requirements. These requirements were: 1) that the Agency was setting aside 20 percent of gross tax increment revenue; 2) housing implementation plans were in place; 3) replacement housing and inclusionary housing requirements were being met; and, 4) no excess surplus existed. If a redevelopment plan had more than 20 years of effectiveness remaining after June 30, 2005, it could not be extended. The Redevelopment Plan was **not** eligible to have its termination dates extended for either of the ERAF payments required by this legislation.

The Legislature enacted AB 1389 to require a \$350 million shift for 2008-09 from redevelopment agencies to ERAF. There was to be no repayment of this amount, nor any extensions of redevelopment plan limits. The Low and Moderate Housing Requirement was not to apply to the amount paid for the ERAF. The payment may have come from any available Agency revenues. The Agency could have borrowed up to 50 percent from its current year Housing Set-Aside Requirement for purposes of making the ERAF payment. The ERAF payment was to have been subordinate to debt existing at the date of enactment of AB 1389. An agency that could not make the payment due to existing indebtedness would have been allowed to borrow from their legislative body. Failure to make the ERAF payment would have resulted in penalties that would have effectively stopped new activities of the agency. This legislation mandated this ERAF shift only for fiscal year 2008-09.

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The California Redevelopment Association (the CRA), the Executive Director of the CRA, the Madera Redevelopment Agency and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the AB 1389 provisions requiring the \$350 million shift of tax increment revenues from redevelopment agencies to ERAF. The lawsuit sought to invalidate the provisions of AB 1389 requiring the tax increment transfer to ERAF and to prohibit the State from forcing county auditors to divert these redevelopment funds to ERAF. A ruling on this suit by the Sacramento County Superior Court was filed on April 30, 2009. The Court found in favor of the plaintiffs, ruling that the requirement that these funds be taken from redevelopment agency revenues and paid into county ERAF accounts was unconstitutional in that this use of redevelopment tax increment revenues conflicts with and violates the Law requiring that tax increment revenues be used to finance redevelopment activities. This ruling eliminated the requirement to make the ERAF payment described in the previous paragraph. The State filed an appeal of this ruling but it subsequently withdrew this appeal.

AB 1389 also contained provisions requiring redevelopment agencies to report all amounts of statutory tax sharing payments owed for fiscal years 2003-04 through 2007-08, the amounts paid, and if any amounts were not paid, to pay the amounts due or incur penalties effectively stopping new activities of the Agency. In compliance with the requirements of AB 1389, the Agency filed the necessary reports. All required statutory payments owed from the Project Area were paid in full and the Agency was found to be in compliance by the State Controller's Office. AB 1389 further required reporting of all statutory tax sharing payments for fiscal year 2008-09. The Agency made the required statutory tax sharing payments for 2008-09 and filed the required reporting spreadsheet. The Agency has been found to be in compliance by the State Controller's Office.

In July, 2009 the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and another \$350 million in 2010-11 into their county's "Supplemental" ERAF (the SERAF). Funds deposited in the SERAF will be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. Under this legislation the Agency was required to pay \$41,114,526 by May 10, 2010 and it will further be required to pay an amount estimated to be \$8,464,755 in May, 2011. The amount to be paid by the Agency in May, 2011 has not been finally determined by the State Department of Finance. If the Agency had not made the initial payment by the May 10, 2010 deadline its ability to conduct redevelopment activities would have been halted and it would have had to increase the housing set aside to 25 percent. These same penalties will be invoked if the Agency fails to make the SERAF payment required by May 10, 2011.

Under AB 26 4X, the Agency would have been able to use any available funds to make the SERAF payment. For 2009-10, the Agency might have used all or part of the Housing Set-Aside Requirement to make the payment. Any portion of the Housing Set-Aside Requirement amount used to make the SERAF payment would have had to be repaid to the Housing Fund by June 30, 2015. Had the Agency failed to repay the Housing Fund in a timely manner, the required allocation of tax increment to the Housing Fund would have been increased to 25% for the remainder of the time that debt may be repaid from the Project Area.

On November 12, 2009 the Governor signed SB 68 (Steinberg) into law which modifies AB 26 4x by allowing agencies to use the accumulated balances in their Housing Fund (and not just current year Housing Set-Aside Requirement) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund would not be allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed to K-12 school districts located in any Project Area of the Agency in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF must be used to serve pupils living in the project area or in housing supported by redevelopment funds. The total amount of SERAF funds received by a school district is deemed to be local property taxes and will reduce dollar-for-dollar the State's Prop 98 obligations to fund education.

The City was authorized by SB 68 to lend to the Agency the amount that must be paid to SERAF and in that case, the Agency is authorized to repay the legislative body from tax increment. The City Council was also authorized to make the payment on behalf of the Agency. The provisions of existing law which permit a joint powers authority to sell bonds and loan the proceeds to redevelopment agencies in order to make ERAF payments are also available for the 2009-10 and 2010-11 payments. In addition, agencies are entitled to a one-year extension on their AB 1290 time limits if they make timely SERAF payments. This extension will not trigger pass-through payments under Health and Safety Code Section 33607.7. The one year extension is allowed after payment of the 2009-10 amounts only. No extension of the AB 1290 time limits is authorized after the 2010-11 payment. The Agency has not, at this time, taken advantage of this one-year extension.

As with the earlier ERAF obligations, the obligation to make the SERAF payment is subordinate to debt service on bonds and other indebtedness. An agency may pay less than the amount required if it finds that it is necessary to make payments on existing obligations required to be committed, set-aside or reserved by the agency during the applicable fiscal year. An agency that intends to pay less than the required amount in order to pay existing obligations must adopt a resolution prior to the preceding December 31 listing the existing indebtedness and the payments required to be made during the applicable fiscal year.

An agency failing to timely make its SERAF payment, even if the delay is required in order to pay existing obligations, is subject to what has been referred to as the "death penalty." An agency subject to the death penalty may not adopt a new redevelopment plan, amend an existing plan to add territory, issue bonds, further encumber funds or expend any moneys derived from any source except to pay pre-existing indebtedness, contractual obligations and 75% of the amount expended on agency administration for the preceding fiscal year. This penalty would last until the required payments have been made.

On October 20, 2009 the CRA filed a lawsuit in Sacramento Superior Court challenging the constitutionality of ABX4-26. In addition to the CRA, two redevelopment agencies were named as plaintiffs in the lawsuit. These are the Union City Redevelopment Agency in Alameda County and the Fountain Valley Redevelopment Agency in Orange County. They serve as representatives of all redevelopment agencies in the state. The Court was asked to certify all redevelopment agencies as a class of plaintiffs in the lawsuit. With this suit, the CRA sought to invalidate the State's effort to require the redevelopment agencies to shift \$2.05 billion in tax increment revenues to the SERAF. On May 4, 2010, Judge Lloyd Connelly of the Sacramento Superior Court ruled in favor of the State of California and effectively authorized the SERAF obligations. The Judge refused to issue an order delaying the requirement for making the SERAF payments. The CRA unsuccessfully attempted to secure an injunction that would allow redevelopment agencies to delay payment of the SERAF obligations pending their appeal of Judge Connelly's ruling. According to the Agency, it made the first required payment from available revenues and submitted the required SERAF payment to the Auditor-Controller by the May 10 deadline. By making the required payments, the Agency is authorized to extend the expiration date of the Redevelopment Plan by one year which will similarly extend the time limit on repaying indebtedness. Since there is a question as to whether an appeal of the Judge's ruling will be successful, for purposes of this report we have not assumed any extension of these time limits.

Beyond the legislation 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 SERAF or by other arrangements, and, if so, the effect that there may be on future Gross Revenues and Housing Tax Revenues.

## **VII. Statutory Tax Sharing Obligations**

The Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994, a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the Project Area. This defined tax-sharing amount has three tiers. The first tier begins with the first year

that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Revenues.

The second tier begins in the eleventh year after the Agency first receives tax increment revenue (fiscal year 2011-12). This second tier payment amount is 21 percent of the tax increment revenue, net of the Housing Set-Aside Revenues, that is derived from the growth in assessed value that is in excess of the assessed value of the project area in year ten (fiscal year 2010-11).

The third tier begins in the 31st year after the Agency first receives tax increment revenue (fiscal year 2031-32). This third tier is 14 percent of the tax increment revenue, net of the Housing Set-Aside Revenues that is derived from the growth in assessed value that is in excess of the assessed value of the project area in the 30th year (fiscal year 2030-31). These three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the project area.

Section 33607.5(e) of the Law specifies a procedure whereby the Agency may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities. As part of this request, the Agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments. The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Agency's financial estimates are incorrect and that the Agency will not be able to make debt service and the tax sharing payments. It is the Agency's belief that sufficient evidence can be provided to warrant subordination of the tax sharing payments and that no later than 45 days from receipt of the notice by the taxing entities, the tax sharing payments will be subordinate to the payment of debt service on the Bonds. We have assumed in the projection that the statutory tax sharing payments will be subordinated to the payment of debt service on the Bonds.

## **VIII. Legal 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 1996 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 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.

Because the Project Area was adopted after the effectiveness of Section 33676(a)(2) was amended out of the Law, the Project Area is not subject to the effects of this decision.



## **IX. Transfers of Ownership**

The projections of tax revenue are based on the assessed values established by the Alameda County Assessor on the January 1 lien date. These values are subsequently used, with some adjustments, by the Auditor Controller to create the equalized roll from which the tax bills are derived. Transfers of ownership that occur after the lien date are not reflected in the current year tax roll but will be reflected in the values established on the following January 1 lien date and subsequently enrolled in the following year's equalized roll. The change in value, upward or downward, that may result from such a transfer of ownership will, therefore, be reflected in the next year's revenues.

Transfers of ownership that have occurred after January 1, 2010 are assumed to result in additions or reductions in value for fiscal year 2011-12. A survey of ownership transfers that occurred between January 1, 2010 and July 1, 2010 was conducted for the Project Area. Those transfers of ownership that did not result from sales or were from some other event that would trigger a reappraisal by the Assessor were ignored. The sale prices of the property for those other transfers that will result in reappraisal by the Assessor were estimated from the recorders stamps that are placed on the recorded titles. These stamps are directly correlated with the sales price of the property whose title is being transferred. The change in value between the 2010-11 values for each parcel and the new values established by the property sale were incorporated into the projections for 2011-12. There were 11 transfers of ownership for non-single family residential parcels and 22 transfers of ownership for single family residential parcels. The transfers of non-single family residential parcels will result in additional assessed value of \$1,610,608 for 2011-12. Transfers of ownership on single family residential parcels will result in additional assessed value of \$1,599,317 for 2011-12. The total additional assessed value that will be added to the projection of value for 2011-12 is \$3,209,925.

## **X. Trended Taxable Value Growth**

In accordance with Article XIII A of the State Constitution, growth in real property land and improvement values may reflect the year to year inflationary rate not to exceed two percent for any given year or reduction as shown in the consumer price index. Except for 2011-12, a two percent growth rate has been used for the projections because it is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but six 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%), 1999-00 (1.85%) and 2004-05 (1.867%). As discussed in Section IVA above, the inflationary growth rate for 2010-11 was -0.237%. Based on the consumer price index data available through June, 2010, it appears that the inflationary adjustment for 2011-12 will be approximately 0.50%. For purposes of this projection, we have incorporated this 0.50% inflationary growth rate for 2011-12 and assumed resumption of inflationary growth at two percent per year thereafter. Should the growth of taxable value in the Project Area be less than zero percent in other fiscal years, the resultant Tax Revenues would be reduced. Future values will also be impacted 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 III.F above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Tax Revenue. 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 III 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 assessed values will actually grow at the rate projected.

As a result of the recent nationwide increase in defaults on residential mortgages there has been concern expressed in the financial market over the possible impact that these defaults may have on redevelopment

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agency revenues in general. Reliable information on foreclosure activity is difficult to find and what information that is available is not readily applicable to discrete areas within cities and redevelopment project areas.

For reference, properties receiving a Notice of Default from a trustee are in the first phase of the foreclosure process. A Notice of Default is sent after the occurrence of a default under the terms of the deed of trust or mortgage. A Notice of Trustee's Sale is filed announcing a public auction of property that is in default under the terms of the deed of trust or mortgage. This is the second phase of the foreclosure process. Real Estate Owned by Lender reflects the final stage in the foreclosure process. These are properties that have been conveyed into the ownership of the lender. Generally the foreclosure process may be halted by the property owner or borrower paying the amount that is in default under the deed of trust and bringing the loan current.

Anticipated Project Area Tax 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 judgment of individual appraisers. 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 Broadway/MacArthur/San Pablo Redevelopment Project

## Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

09/30/10

Table 1

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Taxable Values (1)</b>										
Real Property (2)	675,695	675,067	688,569	702,340	716,387	730,714	745,329	760,235	775,440	790,949
Personal Property (3)	105,390	105,390	105,390	105,390	105,390	105,390	105,390	105,390	105,390	105,390
<b>Total Projected Value</b>	<b>781,084</b>	<b>780,457</b>	<b>793,958</b>	<b>807,730</b>	<b>821,776</b>	<b>836,104</b>	<b>850,718</b>	<b>865,625</b>	<b>880,830</b>	<b>896,338</b>
<b>Taxable Value over Base</b>	<b>362,436</b>	<b>418,021</b>	<b>431,523</b>	<b>445,294</b>	<b>459,341</b>	<b>473,668</b>	<b>488,283</b>	<b>503,189</b>	<b>518,394</b>	<b>533,903</b>
Gross Tax Increment Revenue (4)	4,909	4,896	5,049	5,204	5,362	5,523	5,693	5,867	6,044	6,225
Unitary Tax Revenue (5)	2	2	2	2	2	2	2	2	2	2
<b>Gross Revenues</b>	<b>4,911</b>	<b>4,898</b>	<b>5,050</b>	<b>5,205</b>	<b>5,363</b>	<b>5,524</b>	<b>5,695</b>	<b>5,868</b>	<b>6,046</b>	<b>6,226</b>
SB 2557 Admin. Fee (6)	(36)	(36)	(37)	(38)	(39)	(40)	(41)	(43)	(44)	(45)
Housing Set Aside Requirement (7)	(982)	(980)	(1,010)	(1,041)	(1,073)	(1,105)	(1,139)	(1,174)	(1,209)	(1,245)
<b>Tax Revenues</b>	<b>3,893</b>	<b>3,883</b>	<b>4,004</b>	<b>4,127</b>	<b>4,252</b>	<b>4,379</b>	<b>4,514</b>	<b>4,652</b>	<b>4,793</b>	<b>4,936</b>
<b>Subordinate Payments</b>										
Tier 1 Passthrough to All Taxing Entities (8)	(982)	(980)	(1,010)	(1,041)	(1,073)	(1,105)	(1,139)	(1,174)	(1,209)	(1,245)
Tier 2 Passthrough to All Taxing Entities (8)	0	0	(25)	(52)	(80)	(108)	(136)	(166)	(195)	(226)
Tier 3 Passthrough to All Taxing Entities (8)	0	0	0	0	0	0	0	0	0	0
Added Housing Set-Aside (7)	(246)	(245)	(253)	(260)	(268)	(276)	(285)	(293)	(302)	(311)
<b>Net Tax Revenues</b>	<b>2,665</b>	<b>2,658</b>	<b>2,716</b>	<b>2,773</b>	<b>2,831</b>	<b>2,890</b>	<b>2,954</b>	<b>3,019</b>	<b>3,086</b>	<b>3,154</b>

- (1) Taxable values as reported by Alameda County.
- (2) Real property consists of land and improvements. Increased for inflation at 0.5% for 2011-12 and at 2% annually thereafter. Also adjusted for transfers of ownership that have occurred after the January 1, 2010 lien date for fiscal year 2010-11 (See Table 5). Values for 2011-12 are reduced by \$7,179,810 for projected losses due to currently pending assessment appeals.
- (3) Personal property is held constant at 2010-11 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 \$1.1659 per \$100 over 5 years and remain at that amount through 2019-20 when the East Bay Recreation & Parks override rate is eliminated. The remaining City over ride rate remains in effect until it expires and is eliminated in 2026.
- (5) Unitary Revenue is held constant at 2010-11 level.
- (6) SB 2557 County Administration fee is estimated at 0.73% of Gross Revenue.
- (7) Housing Set Aside Requirement is calculated at 20% of Gross Revenue. The Agency has at it's own election chosen to set aside an additional 5% of Gross Revenue into the Housing Fund. This additional amount of Housing Set-Aside is not considered for purposes of debt service payments on the Bonds.
- (8) Pursuant to H & S Code Section 33607.5 Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside (Tier 1). 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 (Tier 2). After year 30 Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside (Tier 3). The City of Oakland is considered a taxing entity and has elected to receive its share of this pass through amount. These tax sharing payments are subordinate to payment of debt service on the Bonds.

**Oakland Redevelopment Agency**  
**Broadway/MacArthur/San Pablo Redevelopment Project**  
**PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE**

09/30/10

(000s Omitted)

Table 2

	Taxable Value		Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Tax Revenues	Subordinate Statutory Tax Sharing Payments			Added Housing Set-Aside	Net Tax Revenues
	Total Taxable Value	Over Base 362,436					Tier 1	Tier 2	Tier 3		
1 2010-11	781,084	418,649	4,911	(36)	(982)	3,893	(982)	0	0	(246)	2,665
2 2011-12	780,457	418,021	4,898	(36)	(980)	3,883	(980)	0	0	(245)	2,658
3 2012-13	793,958	431,523	5,050	(37)	(1,010)	4,004	(1,010)	(25)	0	(253)	2,716
4 2013-14	807,730	445,294	5,205	(38)	(1,041)	4,127	(1,041)	(52)	0	(260)	2,773
5 2014-15	821,776	459,341	5,363	(39)	(1,073)	4,252	(1,073)	(80)	0	(268)	2,831
6 2015-16	836,104	473,668	5,524	(40)	(1,105)	4,379	(1,105)	(108)	0	(276)	2,890
7 2016-17	850,718	488,283	5,695	(41)	(1,139)	4,514	(1,139)	(136)	0	(285)	2,954
8 2017-18	865,625	503,189	5,868	(43)	(1,174)	4,652	(1,174)	(166)	0	(293)	3,019
9 2018-19	880,830	518,394	6,046	(44)	(1,209)	4,793	(1,209)	(195)	0	(302)	3,086
10 2019-20	896,338	533,903	6,226	(45)	(1,245)	4,936	(1,245)	(226)	0	(311)	3,154
11 2020-21	912,157	549,722	6,365	(46)	(1,273)	5,046	(1,273)	(255)	0	(318)	3,200
12 2021-22	928,293	565,857	6,551	(48)	(1,310)	5,194	(1,310)	(286)	0	(328)	3,269
13 2022-23	944,751	582,315	6,742	(49)	(1,348)	5,345	(1,348)	(318)	0	(337)	3,341
14 2023-24	961,538	599,102	6,936	(50)	(1,387)	5,499	(1,387)	(351)	0	(347)	3,414
15 2024-25	978,661	616,225	7,135	(52)	(1,427)	5,656	(1,427)	(384)	0	(357)	3,488
16 2025-26	996,127	633,691	7,337	(53)	(1,467)	5,816	(1,467)	(418)	0	(367)	3,564
17 2026-27	1,013,941	651,506	7,532	(47)	(1,306)	5,179	(1,306)	(392)	0	(327)	3,153
18 2027-28	1,032,112	669,677	6,698	(49)	(1,340)	5,310	(1,340)	(422)	0	(335)	3,214
19 2028-29	1,050,647	688,211	6,884	(50)	(1,377)	5,457	(1,377)	(453)	0	(344)	3,283
20 2029-30	1,069,552	707,116	7,073	(51)	(1,415)	5,607	(1,415)	(485)	0	(354)	3,354
21 2030-31	1,088,835	726,399	7,266	(53)	(1,453)	5,760	(1,453)	(517)	0	(363)	3,426
22 2031-32	1,108,504	746,068	7,462	(54)	(1,492)	5,916	(1,492)	(550)	(22)	(373)	3,478
23 2032-33	1,128,566	766,131	7,663	(56)	(1,533)	6,075	(1,533)	(584)	(45)	(383)	3,531
24 2033-34	1,149,030	786,594	7,868	(57)	(1,574)	6,237	(1,574)	(618)	(67)	(393)	3,584
25 2034-35	1,169,903	807,467	8,076	(59)	(1,615)	6,403	(1,615)	(653)	(91)	(404)	3,639
26 2035-36	1,191,193	828,757	8,289	(60)	(1,658)	6,571	(1,658)	(689)	(115)	(414)	3,695
27 2036-37	1,212,909	850,473	8,506	(62)	(1,701)	6,743	(1,701)	(726)	(139)	(425)	3,752
28 2037-38	1,235,059	872,624	8,728	(63)	(1,746)	6,919	(1,746)	(763)	(164)	(436)	3,810
29 2038-39	1,257,653	895,217	8,954	(65)	(1,791)	7,098	(1,791)	(801)	(189)	(448)	3,870
30 2039-40	1,280,698	918,262	9,184	(67)	(1,837)	7,281	(1,837)	(840)	(215)	(459)	3,930
31 2040-41	1,304,204	941,769	9,419	(68)	(1,884)	7,467	(1,884)	(879)	(241)	(471)	3,992
32 2041-42	1,328,180	965,745	9,659	(70)	(1,932)	7,657	(1,932)	(919)	(268)	(483)	4,055
33 2042-43	1,352,636	990,201	9,904	(72)	(1,981)	7,851	(1,981)	(960)	(296)	(495)	4,119
34 2043-44	1,377,581	1,015,146	10,153	(74)	(2,031)	8,049	(2,031)	(1,002)	(323)	(508)	4,185
35 2044-45	1,403,025	1,040,589	10,408	(76)	(2,082)	8,251	(2,082)	(1,045)	(352)	(520)	4,252
			254,581	(1,847)	(50,916)	201,818	(50,916)	(16,300)	(2,527)	(12,729)	119,346

**Oakland Redevelopment Agency  
Broadway/MacArthur/San Pablo Redevelopment Project**

Historical Values

**Table 3**

09/30/10

	<u>Base Year 1999-00 (3)</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<b>Secured (2)</b>	<b>328,497,980</b>	<b>171,577,197</b>	<b>180,196,274</b>	<b>195,494,913</b>	<b>210,930,151</b>	<b>244,375,517</b>	<b>282,019,419</b>	<b>311,490,787</b>	<b>346,253,429</b>	<b>343,568,151</b>	<b>335,331,114</b>
Land		459,656,378	482,940,111	511,977,049	548,827,843	573,158,277	642,184,379	710,504,964	759,901,766	831,221,457	842,936,045
Impts	0	62,289,194	59,522,073	60,955,372	64,938,352	62,371,864	42,168,393	71,536,027	83,589,565	68,851,841	76,503,356
Pers Prop	0	(311,602,421)	(321,967,507)	(311,817,396)	(350,298,923)	(352,893,751)	(336,577,832)	(367,610,773)	(398,996,346)	(495,003,494)	(513,695,253)
Exemptions	0										
<b>Total Secured</b>	<b>328,497,980</b>	<b>381,920,348</b>	<b>400,690,951</b>	<b>456,609,938</b>	<b>474,397,423</b>	<b>527,011,907</b>	<b>629,794,359</b>	<b>725,921,005</b>	<b>790,748,414</b>	<b>748,637,955</b>	<b>741,075,262</b>
<b>Unsecured</b>											
Land	0	997,175	739,861	670,713	767,738	522,317	528,988	507,108	483,861	457,436	455,475
Impts	0	7,947,392	6,777,345	6,491,175	7,220,386	7,297,827	10,221,010	9,696,529	11,354,103	10,226,328	10,667,128
Pers Prop	33,937,669	35,108,849	34,898,927	35,831,419	46,675,223	30,994,447	36,487,879	36,871,587	38,575,013	40,056,663	38,974,784
Exemptions	0	(645,719)	(5,604,011)	(7,215,822)	(17,126,014)	(853,316)	(2,358,911)	(2,898,313)	(10,358,725)	(10,449,443)	(10,088,455)
<b>Total Unsecured</b>	<b>33,937,669</b>	<b>43,407,697</b>	<b>36,812,122</b>	<b>35,777,485</b>	<b>37,537,333</b>	<b>37,961,275</b>	<b>44,878,966</b>	<b>44,176,911</b>	<b>40,054,252</b>	<b>40,290,984</b>	<b>40,008,932</b>
<b>GRAND TOTAL</b>	<b>362,435,649</b>	<b>425,328,045</b>	<b>437,503,073</b>	<b>492,387,423</b>	<b>511,934,756</b>	<b>564,973,182</b>	<b>674,673,325</b>	<b>770,097,916</b>	<b>830,802,666</b>	<b>788,928,939</b>	<b>781,084,194</b>
Incremental Value		62,892,396	75,067,424	129,951,774	149,499,107	202,537,533	312,237,676	407,662,267	468,367,017	426,493,290	418,648,545
Annual Value % Change		2.86%	2.86%	12.54%	3.97%	10.36%	19.42%	14.14%	7.88%	-5.04%	-0.99%

(1) Source: County of Alameda.

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

(3) Base Year Values are not completely broken out by Land, Improvements, Personal Property and Exemptions when provided by the Auditor Controller.

**Oakland Redevelopment Agency  
Broadway/MacArthur/San Pablo Redevelopment Project**

Fiscal Year 2010-11

**Table 4**

09/30/10

	Secured			Unsecured			Total			Use Code
	Assessed Value	Parcels	Percentage	Assessed Value	Parcels	Percentage	Assessed Value	Assessed Value Percentage	Inc. Value Percentage	
1. Alta Bates Summit Medical Center	\$34,515,515	35	4.66%	\$6,689,849	1	16.72%	\$41,205,364	5.28%	9.84%	Medical Center and Medical Offices
2. SKB Webster LLC and Broadway Saratoga (Pending Appeals On Parcels)	\$26,460,726	1	3.57%	\$0	0	0.00%	\$26,460,726	3.39%	6.32%	Medical Offices, Over 5 Stories
3. Cascade Acceptance	\$15,215,337	47	2.05%	\$0	0	0.00%	\$15,215,337	1.95%	3.63%	Vacant Residential Condos, San Pablo Ave.
4. Kaiser Foundation Hospitals	\$13,555,712	12	1.83%	\$0	0	0.00%	\$13,555,712	1.74%	3.24%	Medical Center and Medical Offices
5. Westpark II (Pending Appeals On Parcels)	\$9,836,856	1	1.33%	\$0	0	0.00%	\$9,836,856	1.26%	2.35%	Multi-Family Residential, 3 Developments
6. 6701 San Pablo	\$9,471,111	1	1.28%	\$0	0	0.00%	\$9,471,111	1.21%	2.26%	Industrial Building at 67th St. & San Pablo Ave.
7. Arthur Chan and Amphorn Trust	\$9,370,096	3	1.26%	\$0	0	0.00%	\$9,370,096	1.20%	2.24%	Medical Offices, Industrial Warehouses
8. Cotter and Coyle	\$8,105,144	3	1.09%	\$0	0	0.00%	\$8,105,144	1.04%	1.94%	Multi-Family Residential Building
9. Courthouse Associates (Pending Appeals On Parcels)	\$7,761,180	1	1.05%	\$0	0	0.00%	\$7,761,180	0.99%	1.85%	Vacant Residential Property at 2935 Telegraph
10. 3640 Associates and BW30 Associates LP (Pending Appeals On Parcels)	\$6,803,051	4	0.92%	\$0	0	0.00%	\$6,803,051	0.87%	1.63%	Used Car Lot, Minimal Improvements
<b>Totals:</b>	<b>\$141,094,728</b>	<b>108</b>		<b>\$6,689,849</b>	<b>1</b>		<b>\$147,784,577</b>			
<b>Total Assessed Values:</b>	<b>\$741,075,262</b>		<b>19.04%</b>	<b>\$40,008,932</b>		<b>16.72%</b>	<b>\$781,084,194</b>	<b>18.92%</b>		
<b>Incremental Assessed Value:</b>	<b>\$412,577,282</b>		<b>34.20%</b>	<b>\$6,071,263</b>		<b>110.19%</b>	<b>\$418,648,545</b>	<b>35.30%</b>		

Oakland Redevelopment Agency  
 Broadway/MacArthur/San Pablo Redevelopment Project  
 New Development

09/30/10

Table 5

000's omitted

Real Property	Sq. Ft./ # Units	Unit Value	Total Value	Less Existing	Value Added	2010-11		2011-12	2012-13	2013-14	2014-15
						Start	Complete				
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers of Non-Single Family Parcels after 1/1/2010	11	Lump Sum	\$6,111,000	\$4,500,392	\$1,611	\$0	\$0	\$0	\$0	\$0	\$0
Transfers of Single Family Parcels after 1/1/2010	22	Lump Sum	\$7,331,500	\$5,732,183	\$1,599	\$0	\$1,611	\$0	\$0	\$0	\$0
<b>Total Real Property:</b>			\$13,442,500	\$10,232,575	\$3,210		\$3,210	\$0	\$0	\$0	\$0

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## 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 November 1, 2010, between the Redevelopment Agency of the City of Oakland and The Bank of New York Mellon Trust Company, N.A., as trustee (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.

In determining the amount of interest coming due during any Bond Year on any Series of Bonds with respect to which the Agency is entitled to receive direct payment of Refundable Credits, the amount of the Refundable Credits the Agency is scheduled to receive during each such Bond Year shall be deducted from such interest.

“Bonds” means the Series 2010-T and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

“Bond Counsel” means (a) Lofton & Jennings, 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 2010-T Bonds, the first Bond Year shall begin on the Closing Date and end on September 1, 2011.

“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 2010-T 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 2010-T Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Continuing Disclosure Certificate” means, that certain Continuing Disclosure Certificate relating to the Series 2010-T 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):

- (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 or “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 fully, unconditionally and directly or indirectly guaranteed by the United States of America.

“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 Indenture of Trust dated as of November 1, 2010, by and between the Agency and the Trustee, as originally entered into or as it may be 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.

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

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

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

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

“Moody’s” means Moody’s Investors Service and its successors.

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

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by any 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) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;
- (c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody’s issued by Fannie Mae or Freddie Mac with remaining maturities not exceeding three years;
- (d) Including those of the Trustee or any of its affiliates, U.S. dollar denominated deposit accounts, time deposits, certificates of deposit (including those placed by a third party pursuant to an agreement between the Agency and the Trustee), trust accounts, trust funds, overnight bank deposits, interest-bearing deposits, interest-bearing money market accounts, federal funds and banker’s acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 by S&P and P-1 by Moody’s, and maturing no more than 360 days after the date of purchase or are fully FDIC insured;
- (e) commercial paper which is rated at the time of purchase in the single highest classification, A-1 by S&P and P-1 by Moody’s and which matures not more than 270 days after the date of purchase;
- (f) investments in a money market mutual fund rated AAAM or AAAM-G or better by S&P, or having a rating in the highest rating category by Moody’s, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services or serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at

times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

- (g) Repurchase and reverse repurchase agreements collateralized with Federal Securities, including those of the Trustee or any of its affiliates;
- (h) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an independent accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (i) 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
- (j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

"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 Broadway/MacArthur/San Pablo Redevelopment Project of the Agency in Oakland, California, entitled “Redevelopment Plan for the Broadway/MacArthur/San Pablo Redevelopment Project,” adopted and approved by Ordinance No. 12269 adopted by the Council of the City of Oakland, California on July 25, 2000, as heretofore amended and as may hereafter be amended in accordance with the law.

“Redevelopment Project” means the Oakland Broadway/MacArthur/San Pablo Redevelopment Project as described in the Redevelopment Plan.

“Refundable Credits” means (a) with respect to a Series of Bonds issued as Build America Bonds under Section 54AA of the Code (including the Series 2010-T Bonds, which are recovery economic zone development bonds as defined in Section 1400U-3 of the Code), the amounts which are payable by the Federal government under Section 6431 of the Code, which the Agency has elected to receive under Section 54AA(g)(1) of the Code, and (b) with respect to a Series of Bonds issued as Build America Bonds under any other provision of the Code that creates a substantially similar direct-pay subsidy program, the amounts which are payable by the Federal government under the applicable provisions of the Code, which the Agency has elected to receive under the applicable provisions of the Code. With respect to the Series 2010-T Bonds, the amount of Refundable Credits is 45% of each scheduled interest payment.

“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 Lien Tax Revenues” mean Tax Revenues available annually following payment, or provision for payment, of all amounts due with respect to the Series 2006C Bonds in the applicable year.

“Serial Bonds” means all Bonds other than Term Bonds.

“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 Second Lien Tax Revenues; or (b) secured by a pledge of or lien upon the Second Lien Tax Revenues which is expressly subordinate to the pledge of and lien upon the Second Lien 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 (with a Series 2010-T Account therein),
- (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 2009T Bonds upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the earlier of the date six months following the Closing Date, or the date of receipt by the Trustee of a Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and be transferred to the Agency for deposit in the Series 2010T Account of the Redevelopment Fund.

Series 2010-T Account of the Redevelopment Fund. The moneys in the Series 2010-T Account of the Redevelopment Fund shall be maintained separate and apart from other moneys of the Agency. The moneys on deposit in the Series 2010-T Account of the Redevelopment Fund shall be used in the manner provided by the Law solely for the purpose of aiding in financing the Redevelopment Project, including, without limitation, the payment of any unpaid Costs of Issuance. The Agency covenants that no funds on deposit in the Series 2010-T Account of the Redevelopment Fund or in any other account of the Redevelopment fund shall be applied for any purpose not authorized by the Law.

Special Fund; Deposit of Second Lien 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”. The Agency shall transfer all of the Second Lien 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 Second Lien 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 Second Lien Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Second Lien 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. (i) 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).

(ii) All of the Refundable Credits received by the Agency shall be deposited immediately upon receipt in the Interest Account, and such Refundable Credits are hereby irrevocably pledged to the punctual payment of the interest on the respective Series of Bonds issued as Build America Bonds to which such Refundable Credits relate, and the Refundable Credits shall not be used for any other purpose while any of the Bonds issued as Build America Bonds remain Outstanding. Pursuant to Section 5451 of the California Government Code, this pledge constitutes a lien on and security interest in the Refundable Credits for the payment of interest on the Bonds issued as Build America Bonds in accordance with the terms thereof and hereof, and shall immediately attach and be effective, binding, and enforceable against the Agency, its successors, purchasers of the Refundable Credits, creditors and all others asserting any rights thereto, irrespective of whether such parties have notice of such pledge and without the need for any physical delivery, recordation, filing or further act. Notwithstanding the foregoing deposit and pledge, the Refundable Credits are not considered Tax Revenues or Second Lien Tax Revenues and are not included in the calculation of Tax Revenues or Second Lien Tax Revenues under this Indenture. Additionally, in calculating the amount that the Agency pays to the Trustee for deposit in the Interest Account as provided in (i) above, the Agency and the Trustee shall take into account Refundable Credits only if they have been deposited in the Interest Fund on or prior to the fifth Business Day prior to the applicable Interest Payment Date and have not been previously expended to pay Annual Debt Service on the Bonds issued as Build America Bonds or otherwise transferred out of the Interest Account. The Refundable Credits received by the Agency do not secure the Series 2006C Bonds and shall not be applied to payment thereof.

(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 2010-T Bonds or any other Bond 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 or adversely affect the eligibility of the Agency to receive Refundable Credits with respect to any Build America Bonds. 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 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 thereunder in the event and to the extent required to make any payment when and as required under this subsection (d). 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 payments required pursuant to Sections 4.03(a) or 4.03(b) of this 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 required pursuant to Sections 4.03(a) or 4.03(b) of this 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 or more particular series of Bonds, and not all of the Bonds at any time Outstanding, a separate subaccount in the Reserve Account shall be established for such series and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such series of Bonds. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one or more separate sub-accounts 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.

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 2010-T 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.

## **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 hold such funds uninvested. 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 2010-T Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Second Lien Tax Revenues on a parity with the Series 2010-T Bonds to finance and/or 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 the Series 2006C Bonds, 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 this Indenture;

(b) Except as provided in (g) below, for each Bond Year during which the Parity Debt proposed to be issued is scheduled to be outstanding, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the Agency, and (ii) inclusive of (A) Additional Revenues, but assuming no growth in assessed values of property in the Project Area, and (B) the Refundable Credits to be received in each such Bond Year based on the Build America Bonds that are outstanding after the issuance of such Parity Debt, shall be at least equal to one hundred twenty five percent (125%) of the sum of (x) Series 2006C Annual Debt Service (defined below) and (y) Annual Debt Service (calculated without regard to the deduction therefrom of Refundable Credits set forth in the definition thereof, and including within such Annual Debt Service, the amount of annual debt service on the Parity Debt then proposed to be issued or incurred) for each year that the Parity Debt proposed to be issued is scheduled to be outstanding;

(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, provided that if such Parity Debt is Variable Rate Parity Debt and is in the form of auction rate securities, mandatory sinking account redemptions (other than the mandatory sinking account payment due upon the maturity of such Variable Rate Parity Debt) shall, at the option of the Agency, occur on either September 1 or the first Interest Payment Date immediately preceding or succeeding the scheduled mandatory sinking account date set forth in the applicable Parity Debt Instrument if such scheduled sinking account payment date is not an Interest Payment Date;

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds (including, for purposes of calculation, such amounts with respect to the Series 2006C 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, if any,

permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt;

(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.

(g) Section (b) above shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Series 2010-T Bonds or any other outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Series 2010-T Bonds or Parity Debt, or portion thereof, proposed to be refunded.

(h) The Agency shall receive an opinion of national recognized bond counsel stating: (i) that the issuance of the Parity Debt has been sufficiently and duly authorized by the Agency; (ii) that the issuance of the Parity Debt is authorized by the Law and this Indenture; (iii) that the Parity Debt when issued, will be valid and binding obligations of the Agency, payable from Tax Revenues in accordance with the terms of this Indenture and the Supplemental Indenture authorizing the issuance of such Parity Debt; (iv) that upon the issuance of the Additional Bonds the aggregate principal amount of Bonds then Outstanding will not exceed the amount at the time permitted by law or the then limits of indebtedness of the Agency, if any; (v) if the Parity Debt are to be tax-exempt, that the interest on the Parity Debt will be excluded from the gross income of the Owners thereof for federal income tax purposes; and (vi) that the issuance of such Parity Debt will not, of itself, cause interest on the outstanding Bonds that are tax exempt to become includable in gross income for federal income tax purposes or cause the outstanding Bonds that are Build America Bonds to lose their designation as Build America Bonds.

For purpose of the calculation described above in clause (b) above “Series 2006C Bonds Annual Debt Service” means for the Series 2006C Bond Year, the sum of (a) the interest payable on the Outstanding Series 2006C Bonds in such Bond Year, assuming that the Outstanding Serial Series 2006C Bonds are retired as scheduled and that the Outstanding term Series 2006C Bonds are redeemed from sinking account payments as scheduled, (b) the principal amount of the Outstanding serial Series 2006C Bonds payable by their terms in such Bond Year, and (c) the principal amount of the Outstanding term Series 2006C Bonds scheduled to be paid or redeemed from sinking account payments in such Bond Year, excluding the redemption premiums (if any) thereon.

### **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, if any, 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 Series 2006C Bonds, 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) the Series 2006C Bonds (other than bonds issue to refund such 2006C Bonds in accordance with the indenture governing such bonds, as supplemented, (ii) the Series 2010-T 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 Second Lien 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 any 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 nine (9) months 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, any 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 and any 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. The Trustee shall have no duty to review, analyze or verify such financial statements and shall hold such financial



statements as a reporting for the Owners. The Trustee shall not be deemed to have notice of any information contained thereon or Event of Default which may be disclosed therein in any manner.

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 Second Lien 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 any 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 and Second Lien 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 Second Lien Tax Revenues available to the Agency for application under the Indenture in any succeeding Fiscal Year to fall below 125% of Maximum Annual Debt Service without the written consent of any 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 S&P.

Plan Limit. The Agency shall manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Series 2010-T Bonds, any Bonds and any outstanding Parity Debt when due.

## **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 any 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, any 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 any 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 any 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 actual knowledge thereof, give such notice to any Insurer, and the Trustee, with the consent of any 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 corporate 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 any Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners, any 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.

The Trustee shall not be accountable for the use or application by the Agency of any of the Bonds or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received by any paying agent. The Trustee may become the owner of Bonds secured hereby with the same rights it would have if not Trustee.

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 Second Lien 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). When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

## 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, 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 hereof 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 the interest on which is intended to be excluded from gross income for federal income tax purposes or the eligibility of the Agency to receive the applicable Refundable Credits with respect to any Build America Bonds , in the opinion of Bond Counsel; or

(e) to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument or

(f) provided that no Series 2006C Bonds, or any other obligations secured by Tax Revenues on a senior basis to the Bonds issued hereunder, are Outstanding, to change or delete the definition of the term “Second Lien Tax Revenues” and to make other appropriate changes to reflect that the pledge of Tax Revenues securing the Bonds is no longer a subordinate pledge.

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 any 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 any 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 any 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 or any Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and any 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 any 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 any 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 any 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 any 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).

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 any 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.

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, any 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:

(a) 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;

(b) 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;

(c) 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 Second Lien 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 (i) the covenants of the Agency under the Indenture with respect to the Code, (ii) the obligation of the Trustee to transfer and exchange Bonds under the Indenture and its rights to be indemnified under the Indenture, (iii) the obligations of the Agency under the Indenture and (iv) the obligation of the Agency to pay or cause to be paid to the Owners (or any Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, any Insurer all fees, expenses and costs of the Trustee, any 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 any 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 any Insurer, and any Insurer shall be subrogated to the rights of such Bond Owners, as applicable.

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## APPENDIX E

### PROPOSED FORM OF BOND COUNSEL OPINION

[Closing Date]

Redevelopment Agency of the City of Oakland  
Oakland, California

Redevelopment Agency of the City of Oakland  
Broadway/MacArthur/San Pablo Redevelopment Project  
Second Lien Tax Allocation Bonds, Series 2010-T  
(Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment)  
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Redevelopment Agency of the City of Oakland, a public body organized and existing under the laws of the State of California (the “Agency”) in connection with the issuance of \$7,390,000 aggregate principal amount of Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the “Series 2010-T Bonds”), issued pursuant to Resolution No. 2010-0111 C.M.S. of the Commission of the Agency, adopted October 19, 2010 (the “Resolution”) and an Indenture of Trust dated as of November 1, 2010 (the “Indenture”), between the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture; opinions of counsel to the Agency and the Trustee; certificates of the Agency, the Trustee and others; and such other documents, opinions, and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Series 2010-T Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. We call attention to the fact that the rights and obligations under the Series 2010-T Bonds and the Indenture and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice

of venue, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or subject to the lien of the Indenture or the accuracy or sufficiency of the description of any such property contained therein. Finally, we undertake no responsibility herein for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2010-T Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2010-T Bonds constitute valid and binding limited obligations of the District.
2. The Indenture constitutes the valid and binding obligation of the Agency. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2010-T Bonds, of the Second Lien Tax Revenues and the Refundable Credits, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Series 2010-T Bonds constitute “Qualified Bonds” within the meaning of Section 1400U-2(a) of the Internal Revenue Code of 1986 (the “Tax Code”) and are eligible for the credit payable by the Federal government under Section 6431 of the Tax Code (the “Refundable Credit”). The opinions set forth in the preceding sentence are subject to the condition that the Agency comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Series 2010-T Bonds in order for the Series 2010-T Bonds to be treated as Qualified Bonds and continue to be eligible for the Refundable Credit. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may result in a delay or forfeiture of all or a portion of the Refundable Credit and may cause the Series 2010-T Bonds to cease to be treated as Qualified Bonds either prospectively from the date of determination or retroactively to the date of the issuance of the Series 2010-T Bonds. We express no opinion regarding the procedures regarding, and availability of funds with respect to, the payment of the Refundable Credit by the Federal government, nor do we express any opinion regarding other federal tax consequences arising with respect to the Series 2010-T Bonds.
4. Interest on the Series 2010-T Bonds is exempt from California personal income taxation.

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.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur, and we disclaim any obligation to update this opinion. Our engagement as Bond Counsel terminates upon the issuance of the Series 2010-T Bonds.

Faithfully yours,

## 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 favor of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the “Trustee”), in connection with the issuance of \$7,390,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the “Bonds”). The Bonds are being executed and delivered pursuant to that certain Indenture of Trust, dated as of November 1, 2010, between the Agency and the Trustee (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.

“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.

“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” means the Electronic Municipal Market Access (“EMMA”) site maintained by Municipal Securities Rulemaking Board at <http://emma.msrb.org> or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) Not later than nine months after the end of the Agency’s fiscal year (which is currently June 30), commencing with the 2009-2010 fiscal year, the Agency shall, or shall cause the Dissemination Agent to, provide to the 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 the Repository (with a copy to the Trustee) a notice, in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall, (i) determine each year prior to the date the Annual Report is due, the then-applicable rules and electronic format prescribed by the Municipal Securities Rulemaking Board for the filing of annual reports if the Repository is, at the time, EMMA, 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.

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 Taxable 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 the 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 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 National Repository notice of the occurrence of any of the following events (the “Listed Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Modifications to rights of the Owners of the Bonds.
4. Optional, contingent or unscheduled bond calls or tender offers.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events adversely affecting the status of the Series 2010-T Bonds as Recovery Zone Economic Development 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 the Repository and provide a copy of such notice to the Participating Underwriter. 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.

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) as 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, 2010.

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 Issues: \$7,390,000 Redevelopment Agency of the City of Oakland  
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds,  
Series 2010-T (Federally Taxable Recovery Zone Economic Development  
Bonds-Direct Payment)

Date of Delivery: \_\_\_\_\_, 2010.

NOTICE IS HEREBY GIVEN 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 Indenture of Trust dated as of November 1, 2010 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

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## APPENDIX G

### DTC AND THE BOOK-ENTRY ONLY SYSTEM

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds (in this Appendix, the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s

highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on

DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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