

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series 2011 Bonds is exempt from California personal income taxes. The interest on the Series 2011 Bonds is not excluded from gross income for federal income tax purposes and is subject to all applicable federal income taxation. See "Tax Matters."

\$46,980,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
SUBORDINATED HOUSING SET ASIDE
REVENUE BONDS, SERIES 2011A-T
(Federally Taxable)

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

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

Authority for Issuance. The bonds captioned above (the "Series 2011 Bonds") are being issued by the Redevelopment Agency of the City of Oakland (the "Agency") pursuant to an Indenture of Trust dated as of May 1, 2000, by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as successor to BNY Western Trust Company, as supplemented to date, and further supplemented by a Second Supplemental Indenture dated as of March 1, 2011 (collectively, the "Indenture"), by and between the Agency and the Trustee.

Purposes. The Series 2011 Bonds are being issued to (i) finance low and moderate income housing activities for the Redevelopment Agency's Project Areas, (ii) provide a debt service reserve account for the Series 2011 Bonds, and (iii) pay the costs of issuance of the Series 2011 Bonds. See "PLAN OF FINANCE."

Security. The Series 2011 Bonds are payable from and secured by Subordinated Housing Set Aside Revenues (as defined herein), consisting primarily of the portion of tax increment required to be set aside for low and moderate income housing purposes, which is derived from property taxes levied and collected in the Agency's Project Areas and allocated to the Agency pursuant to the Redevelopment Law and following application thereof to payment of certain outstanding bonds of the Agency. No funds or properties of the Agency, other than the Subordinated Housing Set Aside Revenues, are pledged to secure the Series 2011 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS."

Subordinate Pledge. The pledge of Subordinated Housing Set Aside Revenues securing the Series 2011 Bonds is subordinate to a pledge of tax increment revenues to secure the Agency's Central District Redevelopment Project, Senior Tax Allocation Bonds, Series 1992. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS - Outstanding Senior Debt."

Outstanding Parity Bonds. The pledge of Subordinated Housing Set Aside Revenues securing the Series 2011 Bonds is on a parity with two outstanding series of tax allocation bonds previously issued by the Agency. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS - Outstanding Parity Debt."

Book-Entry Form. The Series 2011 Bonds will be issued in book-entry form, initially registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Series 2011 Bonds. Individual purchases of the Series 2011 Bonds will be in book-entry form only, and in principal amounts of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their interests in the Series 2011 Bonds. Principal of, interest on and redemption premium, if any, on the Series 2011 Bonds will be paid by the Trustee directly to DTC, which in turn is obligated to remit such principal, interest and redemption premium, if any, to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2011 Bonds. See APPENDIX F.

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

Redemption. The Series 2011 Bonds are subject to optional and mandatory sinking account redemption before maturity. See "The SERIES 2011 BONDS—Redemption Provisions."

Risk Factors. For a discussion of some of the risks associated with the purchase of the Series 2011 Bonds, see "CERTAIN RISKS TO BONDHOLDERS."

THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY OF OAKLAND, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NEITHER THE CITY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011 BONDS ARE PAYABLE SOLELY FROM SUBORDINATED HOUSING SET ASIDE REVENUES ALLOCATED TO THE AGENCY AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2011 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 2011 BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The Series 2011 Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by Jones Hall, A Professional Law Corporation, as disclosure counsel to the Agency, and by the City Attorney of the City of Oakland in his capacity as Agency Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. It is anticipated that the Series 2011 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about March 8, 2011.



STONE & YOUNGBERG

MATURITY SCHEDULE

\$5,460,000 Serial Bonds

<u>Maturity Date</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP</u> <u>No.†</u>
2012	\$ 850,000	3.250%	3.250%	100.000%	67232P AU7
2013	1,240,000	4.125	4.150	99.940	67232P AV5
2014	1,650,000	5.125	5.150	99.920	67232P AW3
2015	1,720,000	5.500	6.000	98.059	67232P AX1

\$8,045,000 7.500% Term Bonds due September 1, 2019, Yield: 8.000%, Price: 96.960%
CUSIP No. 67232P AY9 †

\$7,620,000 8.000% Term Bonds due September 1, 2022, Yield: 8.650%, Price: 95.324%
CUSIP No. 67232P AZ6†

\$3,105,000 9.000% Term Bonds due September 1, 2027, Yield: 9.350%, Price: 97.083%
CUSIP No. 67232P BA0 †

\$22,750,000 9.250% Term Bonds due September 1, 2041, Yield: 9.750%, Price: 95.149%
CUSIP No. 67232P BB8 †

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

AGENCY BOARD AND CITY COUNCIL

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

AGENCY AND CITY STAFF

Jean Quan, *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 Director, City Finance and Management Agency*
Walter Cohen, *Executive Director, Community and Economic Development Agency*
Gregory Hunter, *Deputy Director, Community and Economic Development Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

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

Urban Futures Inc.
Orange, California
Financial Advisor

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

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

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 2011 Bonds by the Agency or the Underwriters, 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 Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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 underwriters 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 shall under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof.

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 caption "THE PROJECT AREAS."

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, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters does not guarantee the accuracy or completeness of such information.

The Series 2011 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 2011 Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Series 2011 Bonds, the Underwriters may overallocate or effect transactions that stabilize or maintain the market price of the Series 2011 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 2011 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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REGIONAL MAP



OFFICIAL STATEMENT
\$46,980,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
SUBORDINATED HOUSING SET ASIDE
REVENUE BONDS, SERIES 2011A-T
(Federally Taxable)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the bonds captioned above (the "Series 2011 Bonds"), 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 2011 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.

Authority for Issuance

The Series 2011 Bonds are being issued by the Redevelopment Agency of the City of Oakland (the "Agency") 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"), a resolution adopted by the Agency board on March 1, 2011 (the "Resolution"), and an Indenture of Trust dated as of May 1, 2000, by and between the Agency and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as successor to BNY Western Trust Company, as supplemented to date, and as further supplemented by a Second Supplemental Indenture dated as of March 1, 2011 (collectively, the "Indenture"), by and between the Agency and the Trustee.

Purposes

The Series 2011 Bonds are being issued to (i) finance low and moderate income housing activities for the Redevelopment Agency's Project Areas, (ii) provide a debt service reserve account for the Series 2011 Bonds, and (iii) pay the costs of issuance of the Series 2011 Bonds. See "PLAN OF FINANCE."

The Agency

The Agency was activated by the City of Oakland (the "City") in 1956 to exercise the powers granted by the California Community Redevelopment Law (Section 33000 *et seq.* of the Health and Safety Code) 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. See "THE PROJECT AREAS."

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 both Interstate 80 and Interstate 880, and boasts a world-class seaport. The City is a charter city incorporated in 1854 and operates under a Mayor-Council form of government. For additional information regarding the City, see APPENDIX A – "Economic and Demographic Information Concerning the City of Oakland."

Security for the Series 2011 Bonds

General. The Series 2011 Bonds are limited obligations of the Agency payable solely from and secured solely by a pledge of "Subordinated Housing Set Aside Revenues" (defined herein) and certain other funds held by the Trustee under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS."

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 and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency ("Tax Revenues") and may be pledged by a redevelopment agency to the repayment of indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and only receive tax revenues from the allocation of taxes under the redevelopment plan.

Housing Set-Aside. The Redevelopment Law requires a redevelopment agency to set aside not less than 20% of its Tax Revenues received in each year in a low and moderate income housing fund to be applied to low and moderate income housing purposes ("Housing Set Aside Revenues"). These Housing Set Aside Revenues are pledged to repayment of the Series 2011 Bonds and Outstanding Parity Debt (as defined below) on a basis subordinate to the pledge of Tax Revenues to secure certain outstanding indebtedness of the Agency.

Outstanding Senior Debt

The pledge of Subordinated Housing Set Aside Revenues securing the Series 2011 Bonds is subordinate to a pledge of tax increment revenues to secure the Agency's Central District Redevelopment Project, Senior Tax Allocation Bonds, Series 1992 (the "Central District Senior Bonds"), which were issued in the original principal amount of \$97,655,000 and are currently outstanding in the aggregate principal amount of \$18,900,000.

The Central District Senior Bonds are secured by a first lien upon Tax Revenues derived from the Central District Project Area, which includes the related Housing Set Aside Revenues. Annual Tax Revenues for the Central District Project Area have substantially exceeded annual debt service on the Central District Senior Bonds.

The Agency has historically paid debt service on the Central District Senior Bonds solely from the Tax Revenues derived from the Central District Project Area (exclusive of Housing Set Aside Revenues) and anticipates doing so in the future. The Agency has covenanted not to incur any additional indebtedness on a parity with the Central District Senior Bonds (other than refunding bonds).

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Outstanding Senior Debt."

Outstanding Parity Debt

The pledge of Housing Set Aside Revenue securing the Series 2011 Bonds is on a parity with the pledge thereof securing two outstanding series of tax allocation bonds (collectively, the "Outstanding Parity Bonds"), captioned as follows:

- \$2,195,000 Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A, and
- \$82,645,000 Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable).

See "DEBT SERVICE SCHEDULE," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Outstanding Parity Debt" and "THE PROJECT AREAS - Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage."

The Series 2011 Bonds and the Outstanding Parity Bonds are referred to collectively in this Official Statement as the "Bonds."

Debt Service Reserve Account

Under the Indenture, the Trustee has previously established the Reserve Account for the Bonds, which is to be maintained in an amount equal to aggregate of the Reserve Requirement (as defined herein) for each Series of Outstanding Bonds.

Within the Reserve Account, the Trustee will establish a subaccount with respect to the Series 2011 Bonds (the "Series 2011A-T Reserve Subaccount"), which will be funded on the Closing Date with a portion of the proceeds of the Series 2011 Bonds in an amount equal to the Reserve Requirement for the Series 2011 Bonds. Amounts on deposit in the Series 2011A-T Reserve Subaccount will be available for the payment of debt service only on the Series 2011 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS—Reserve Account."

Limited Obligation

THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY OF OAKLAND, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NEITHER THE CITY, NOR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011 BONDS ARE PAYABLE SOLELY FROM SUBORDINATED HOUSING SET ASIDE REVENUES ALLOCATED TO THE AGENCY AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2011 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 2011 BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

Certain Risk Factors

Certain events could affect the timely repayment of the principal and interest on the Series 2011 Bonds when due or the receipt of Housing Set Aside Revenues by the Agency. See "CERTAIN RISKS TO BONDHOLDERS" for a discussion of certain factors that should be considered when investing in the Bonds, including a discussion of the Governor's proposed fiscal year 2011-12 budget and draft implementing legislation, which, if enacted in its current form, would eliminate the current funding mechanism for redevelopment agencies.

Should legislation be introduced or proposals made by the Governor of the State or if legislation is enacted which would impose additional materially adverse limitations or burdens on the Agency or the County by reason of the issuance of the Bonds or which purport to prohibit the issuance of the Bonds, the Agency and the Underwriters have the right under the bond purchase agreement to not proceed in issuing or purchasing the Bonds.

Additional Information

This Official Statement contains brief descriptions of the Series 2011 Bonds, the security for the Series 2011 Bonds, the Indenture, the Agency, the Project Areas and certain other information relevant to the issuance of the Series 2011 Bonds. All references herein to the Indenture and other documents in this Official Statement are qualified in their entirety by reference to the complete text thereof.

Copies of documents referred to herein and information concerning the Series 2011 Bonds are available upon written request from the Treasury Manager, Finance and Management Agency, 150 Frank Ogawa Plaza, Suite 5330, Oakland, California 94612. The Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

Purposes

The Series 2011 Bonds are being issued for the primary purpose of providing funds to finance low and moderate income housing activities for the Redevelopment Agency's Project Areas. Proceeds of the Series 2011 Bonds will also be used to provide a debt service reserve account for the Series 2011 Bonds, and pay the costs of issuance of the Series 2011 Bonds.

Estimated Sources and Uses of Funds

The estimated sources and uses of funds relating to the Series 2011 Bonds are as follows:

Sources:

Principal Amount	\$46,980,000.00
Total Sources	<u>(1,830,503.75)</u>
	\$45,149,496.25

Uses:

Project Account [1]	\$40,000,000.00
Reserve Account [2]	4,514,949.63
Underwriters' Discount	308,718.00
Costs of Issuance [3]	<u>325,828.62</u>
Total Uses	\$45,149,496.25

-
- [1] To be used to finance additional low and moderate income housing activities for the Project Areas.
- [2] Represents the Reserve Requirement with respect to the Series 2011 Bonds as of the Closing Date. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS - Reserve Account."
- [3] Includes the fees and expenses of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Trustee, and the Fiscal Consultant, printing costs, rating agency fees and other costs related to the issuance of the Series 2011 Bonds.

THE SERIES 2011 BONDS

This section provides summaries of the terms of the Series 2011 Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Description

General. The Series 2011 Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 (each, an "Interest Payment Date"), commencing September 1, 2011, and will mature on the dates and in the amounts set forth on the inside cover page hereof.

The Series 2011 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2011 Bond has more than one maturity date.

Fully Registered Form. The Series 2011 Bonds will be issued only as one fully registered Series 2011 Bond for each series and maturity, 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 F—"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.

Calculation of Interest. Each Series 2011 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after the 15th day of the month preceding an Interest Payment Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2011, in which event it will bear interest from their date of issuance; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. The Series 2011 Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months.

Payment of Interest and Principal. Interest on the Series 2011 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check or draft of the Trustee mailed on the applicable Interest Payment Date 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 the 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 to such account in the United States as specified in such written request.

While the Series 2011 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 2011 Bonds.

The principal of the Series 2011 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 F—"DTC and the Book Entry Only System."

Redemption Provisions

Optional Redemption.

The Series 2011 Bonds maturing on or after September 1, 2022 are subject to redemption prior to their respective maturities at the option of the Agency on or after September 1, 2021, as a whole or in part (in such maturities as are designated to the Trustee by the Agency not later than 45 days prior to the redemption date or, if the Agency fails to designate such maturities, on a proportional basis among maturities) on any date, from funds derived by the Agency from any source and deposited with the Trustee not later than 45 days prior to the date of redemption, at a redemption price equal to the principal amount of Series 2011 Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Series 2011 Bonds are also subject to redemption prior to their maturity, at the option of the Agency, from any source available for such purpose, as a whole or in part (in such maturities as are designated to the Trustee by the Agency not later than 45 days prior to the redemption date or, if the Agency fails to designate such maturities, on a proportional basis among maturities) on any date before September 1, 2021, at a redemption price (specified by the Agency to the Trustee) equal to the "Optional Make-Whole Redemption Price," which is defined in the Indenture as the greatest of the following:

- (a) the issue price of the Series 2011 Bonds to be redeemed (as set forth in the Bond Purchase Contract for the Series 2011 Bonds);
- (b) the principal amount of the Series 2011 Bonds to be redeemed; or
- (c) the sum of the present value of the remaining scheduled payments of the principal of and interest on the Series 2011 Bonds to be redeemed to the maturity date of such Series 2011 Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2011 Bonds are to be redeemed, discounted to the date on which the Series 2011 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 2011 Bonds to be redeemed to the date of redemption.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2011 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 2011 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 will be used.

The Agency agrees that it will redeem \$1,205,000 of the Series 2011 Bonds maturing on September 1, 2022, on June 1, 2022, if the Central District Redevelopment Plan does not, as of April 1, 2022, permit the Agency to repay indebtedness at least until September 1, 2022.

Mandatory Sinking Account Redemption. The Series 2011 Term Bonds maturing on September 1, 2019 are subject to redemption prior to their stated maturity, in part by lot, from Sinking Account Installments deposited in the Sinking Account, on any September 1 on or after

September 1, 2016 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Series 2011 Term Bonds Maturing September 1, 2019

<u>Redemption Date (September 1)</u>	<u>Principal Amount to be Redeemed</u>
2016	\$1,800,000
2017	1,935,000
2018	2,075,000
2019 (Maturity)	2,235,000

The Series 2011 Term Bonds maturing on September 1, 2022 are subject to redemption prior to their stated maturity, in part by lot, from Sinking Account Installments deposited in the Sinking Account, on any September 1 on or after September 1, 2020 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Series 2011 Term Bonds Maturing September 1, 2022

<u>Redemption Date (September 1)</u>	<u>Principal Amount to be Redeemed</u>
2020	\$2,400,000
2021	2,515,000
2022 (Maturity)	2,705,000

The Series 2011 Term Bonds maturing on September 1, 2027 are subject to redemption prior to their stated maturity, in part by lot, from Sinking Account Installments deposited in the Sinking Account, on any September 1 on or after September 1, 2023 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Series 2011 Term Bonds Maturing September 1, 2027

<u>Redemption Date (September 1)</u>	<u>Principal Amount to be Redeemed</u>
2023	\$640,000
2024	695,000
2025	755,000
2026	825,000
2027 (Maturity)	190,000

The Series 2011 Term Bonds maturing on September 1, 2041 are subject to redemption prior to their stated maturity, in part by lot, from Sinking Account Installments deposited in the Sinking Account, on any September 1 on or after September 1, 2028 at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, according to the following schedule:

Series 2011 Term Bonds Maturing September 1, 2041

<u>Redemption Date</u> <u>(September 1)</u>	<u>Principal Amount</u> <u>to be Redeemed</u>
2028	\$ 5,000
2029	5,000
2030	5,000
2031	5,000
2032	10,000
2033	5,000
2034	10,000
2035	5,000
2036	5,000
2037	3,775,000
2038	4,120,000
2039	4,505,000
2040	4,920,000
2041 (Maturity)	5,375,000

If less than all of the Outstanding Series 2011 Term Bonds of a maturity are called for optional redemption at any one time, the total amount of all Sinking Account Installment payments will be reduced by the aggregate amount of Series 2011 Term Bonds to be redeemed, to be allocated among such Sinking Account Installment payments as determined by the Agency.

Purchase in Lieu of Redemption. In lieu of redemption of any Series 2011 Term Bond, amounts on deposit in the Housing Special Fund or in the Sinking Account therein may also be used and withdrawn by the Trustee at any time, upon the Written Request of the Agency, for the purchase of such Series 2011 Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Fund) as the Agency may in its discretion determine, but not in excess of the principal amount thereof plus accrued interest to the purchase date; provided, however, that no Series 2011 Term Bonds will be purchased by the Trustee with a settlement date more than 90 days prior to the redemption date.

The principal amount of any Series 2011 Term Bonds so purchased by the Trustee in any twelve-month period ending 60 days prior to any Principal Payment Date in any year will be credited towards and will reduce the principal amount of such Series 2011 Term Bonds required to be redeemed on such Principal Payment Date in such year.

Notice of Redemption. Notice of redemption will be mailed by first class mail by the Trustee, on behalf and at the expense of the Agency, not less than 30 nor more than 60 days prior to the redemption date to (i) the respective Owners of Series 2011 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) one or more Information Services designated in writing to the Trustee by the Agency and (iii) the Securities Depositories.

Each notice of redemption will state the date of such notice, the Series 2011 Bonds to be redeemed, the date of issue of such Series 2011 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Series 2011 Bonds of such maturity to be redeemed and, in the case of Series 2011 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed.

Each such notice will also state that on said date there will become due and payable on each of such Series 2011 Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Series 2011 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2011 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed will not affect the sufficiency of the proceedings for redemption.

Selection of Series 2011 Bonds for Redemption. Whenever less than all the Outstanding Series 2011 Bonds of a Series maturing on any one date are called for redemption at any one time, the Trustee will select the Series 2011 Bonds to be redeemed, from the Outstanding Series 2011 Bonds of such Series maturing on such date not previously selected for redemption, by lot; provided, however, that if less than all the Outstanding Series 2011 Term Bonds of a Series of any maturity are called for redemption at any one time, upon the written direction from the Agency, the Trustee will specify a reduction in any Sinking Account Installment payments required to be made with respect to such Series 2011 Bonds (in an amount equal to the amount of Outstanding Series 2011 Term Bonds to be redeemed) which, to the extent practicable, results in approximately equal Annual Debt Service on the Series 2011 Bonds Outstanding following such redemption.

Partial Redemption. Upon surrender of any Series 2011 Bond redeemed in part only, the Agency will execute (manually or by facsimile) and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Agency, a new Series 2011 Bond or Series 2011 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Series 2011 Bond surrendered and of the same Series and interest rate and the same maturity.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of such redemption price of the Series 2011 Bonds so called for redemption have been duly provided, no interest will accrue on such Series 2011 Bonds from and after the redemption date specified in such notice.

DEBT SERVICE SCHEDULE

Set forth below is the debt service schedule for the Series 2011 Bonds.

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Series 2011 Bonds</u>
September 1, 2011		\$ 1,852,415.52	\$ 1,852,415.52
March 1, 2012		1,927,368.75	1,927,368.75
September 1, 2012	\$ 850,000	1,927,368.75	2,777,368.75
March 1, 2013		1,913,556.25	1,913,556.25
September 1, 2013	1,240,000	1,913,556.25	3,153,556.25
March 1, 2014		1,887,981.25	1,887,981.25
September 1, 2014	1,650,000	1,887,981.25	3,537,981.25
March 1, 2015		1,845,700.00	1,845,700.00
September 1, 2015	1,720,000	1,845,700.00	3,565,700.00
March 1, 2016		1,798,400.00	1,798,400.00
September 1, 2016	1,800,000	1,798,400.00	3,598,400.00
March 1, 2017		1,730,900.00	1,730,900.00
September 1, 2017	1,935,000	1,730,900.00	3,665,900.00
March 1, 2018		1,658,337.50	1,658,337.50
September 1, 2018	2,075,000	1,658,337.50	3,733,337.50
March 1, 2019		1,580,525.00	1,580,525.00
September 1, 2019	2,235,000	1,580,525.00	3,815,525.00
March 1, 2020		1,496,712.50	1,496,712.50
September 1, 2020	2,400,000	1,496,712.50	3,896,712.50
March 1, 2021		1,400,712.50	1,400,712.50
September 1, 2021	2,515,000	1,400,712.50	3,915,712.50
March 1, 2022		1,300,112.50	1,300,112.50
September 1, 2022	2,705,000	1,300,112.50	4,005,112.50
March 1, 2023		1,191,912.50	1,191,912.50
September 1, 2023	640,000	1,191,912.50	1,831,912.50
March 1, 2024		1,163,112.50	1,163,112.50
September 1, 2024	695,000	1,163,112.50	1,858,112.50
March 1, 2025		1,131,837.50	1,131,837.50
September 1, 2025	755,000	1,131,837.50	1,886,837.50
March 1, 2026		1,097,862.50	1,097,862.50
September 1, 2026	825,000	1,097,862.50	1,922,862.50
March 1, 2027		1,060,737.50	1,060,737.50
September 1, 2027	190,000	1,060,737.50	1,250,737.50
March 1, 2028		1,052,187.50	1,052,187.50
September 1, 2028	5,000	1,052,187.50	1,057,187.50
March 1, 2029		1,051,956.25	1,051,956.25
September 1, 2029	5,000	1,051,956.25	1,056,956.25
March 1, 2030		1,051,725.00	1,051,725.00
September 1, 2030	5,000	1,051,725.00	1,056,725.00
March 1, 2031		1,051,493.75	1,051,493.75
September 1, 2031	5,000	1,051,493.75	1,056,493.75
March 1, 2032		1,051,262.50	1,051,262.50
September 1, 2032	10,000	1,051,262.50	1,061,262.50
March 1, 2033		1,050,800.00	1,050,800.00
September 1, 2033	5,000	1,050,800.00	1,055,800.00
March 1, 2034		1,050,568.75	1,050,568.75
September 1, 2034	10,000	1,050,568.75	1,060,568.75
March 1, 2035		1,050,106.25	1,050,106.25
September 1, 2035	5,000	1,050,106.25	1,055,106.25
March 1, 2036		1,049,875.00	1,049,875.00
September 1, 2036	5,000	1,049,875.00	1,054,875.00
March 1, 2037		1,049,643.75	1,049,643.75
September 1, 2037	3,775,000	1,049,643.75	4,824,643.75
March 1, 2038		875,050.00	875,050.00
September 1, 2038	4,120,000	875,050.00	4,995,050.00
March 1, 2039		684,500.00	684,500.00
September 1, 2039	4,505,000	684,500.00	5,189,500.00
March 1, 2040		476,143.75	476,143.75
September 1, 2040	4,920,000	476,143.75	5,396,143.75
March 1, 2041		248,593.75	248,593.75
September 1, 2041	5,375,000	248,593.75	5,623,593.75
Total	\$46,980,000	\$75,811,765.52	\$122,791,765.52

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS

This section provides summaries of the security for the Series 2011 Bonds and certain provisions of the Indenture. See APPENDIX C for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX C.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected by a redevelopment agency within a redevelopment project area.

The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then-current tax rate upon the base roll.

Taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project.

Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as above indicated.

Allocation of Taxes

As provided in the Redevelopment Plan for each Project Area, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Areas 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 each Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior 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 Agency's Project Areas.

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 a Project Area will be paid into the funds of the respective taxing agencies as taxes on all other property are paid.

Subordinated Housing Set Aside Revenues

General. The Redevelopment Law requires a redevelopment agency to set aside not less than 20% of Tax Revenues received in each year (“Housing Set Aside Revenues”) in a low and moderate income housing fund to be applied to low and moderate income housing purposes.

Pledge of Subordinated Housing Set Aside Revenues. All the Subordinated Housing Set Aside Revenues and all money in the Housing Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee (except the Rebate Fund), are irrevocably pledged under the Indenture to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds. The Subordinated Housing Set Aside Revenues and such other money may not be used for any other purpose while any of the Bonds remain Outstanding. This pledge constitutes a first lien on the Subordinated Housing Set Aside Revenues and such other money for the payment of the Bonds in accordance with the terms of the Indenture.

The Indenture defines “Subordinated Housing Set Aside Revenues” as, for each Bond Year, Housing Set Aside Revenues, excluding the amount, if any, of “Senior Annual Debt Service” (defined generally as annual debt service on the Central District Senior Bonds) paid from Housing Set Aside Revenues in accordance with the Redevelopment Law and the Indenture. See “– Outstanding Senior Debt” below.

See APPENDIX C.

Future Parity Debt. Under the Indenture, the Agency may incur additional loans, advances or indebtedness issued or incurred by the Agency on a parity with the Series 2011 Bonds (“Parity Debt”) pursuant to the Indenture, which Parity Debt will be equally secured, on a parity with the Series 2011 Bonds, by a pledge of, security interest in and lien on all of the Subordinated Housing Set Aside 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. See APPENDIX C.

Limitations on Tax Revenues. Except for the Subordinated Housing Set Aside Revenues (and the moneys held under the Indenture in the funds and accounts described above), no funds or properties of the Agency are pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Series 2011 Bonds.

The Agency’s receipt of Tax Revenues, and therefore, Subordinated Housing Set Aside Revenues, is subject to certain limitations (the “Plan Limit”) contained in the Redevelopment Plan for each Project Area on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to such Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. As described below under the caption “LIMITATIONS ON TAX REVENUES,” the Agency’s collection of Tax Revenues in a Project Area is subject to limitations of the total tax increment collected by the Agency over the life of the applicable 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 Subordinated Housing Set Aside Revenues that would otherwise be available to pay debt service on the Series 2011 Bonds and, consequently, the principal of, and interest on, the Series 2011 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "CERTAIN RISKS TO BONDHOLDERS" and "LIMITATIONS ON TAX REVENUES."

THE SERIES 2011 BONDS ARE NOT A DEBT OF THE CITY OF OAKLAND, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NEITHER THE CITY, NOR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2011 BONDS ARE PAYABLE SOLELY FROM SUBORDINATED HOUSING SET ASIDE REVENUES ALLOCATED TO THE AGENCY AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2011 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 2011 BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2011 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The Indenture constitutes a contract between the Agency and the Owners from time to time of the Series 2011 Bonds, and the covenants and agreements set forth therein to be performed on behalf of the Agency are for the equal and proportionate benefit, security and protection of all owners of the Series 2011 Bonds without preference, priority or distinction as to security or otherwise of any of the Series 2011 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 2011 Bonds or in the Indenture.

Outstanding Senior Debt

The Agency previously has issued the Central District Senior Bonds, which are currently outstanding in the aggregate principal amount of \$18,900,000.

The Central District Senior Bonds are secured by a pledge of tax increment revenues derived from the Agency's Central District Redevelopment Project, which includes the Housing Set Aside Revenues from that Project Area. The pledge of Housing Set Aside Revenues from the Central District Redevelopment Project to secure the Series 2011 Bonds is subordinate to the pledge thereof to secure the Central District Senior Bonds. Housing Set Aside Revenues, following application thereof in each year to payment of amounts due with respect to the Central District Senior Bonds, are referred to as "Subordinated Housing Set Aside Revenues" and such amounts are pledged to repayment of the Series 2011 Bonds. See "- Subordinated Housing Set Aside Revenues" above.

The Agency has historically paid debt service on the Central District Senior Bonds solely from the Tax Revenues derived from the Central District Project Area (exclusive of Housing Set Aside Revenues) and anticipates doing so in the future.

The Agency has covenanted not to incur any additional indebtedness on a parity with the Central District Senior Bonds (other than refunding bonds).

Outstanding Parity Bonds

The pledge of Housing Set Aside Revenues securing the Series 2011 Bonds is on a parity with the pledge thereof securing two series of Outstanding Parity Bonds, captioned as follows:

- \$2,195,000 Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A, which are currently outstanding in the principal amount of \$2,195,000, and
- \$82,645,000 Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable), which are currently outstanding in the principal amount of \$79,560,000.

See “DEBT SERVICE SCHEDULE” and “THE PROJECT AREAS - Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage.”

The Agency may issue additional future debt payable on a parity with or subordinate to the payment of debt service on the Series 2011 Bonds, provided that the conditions set forth in the Indenture are met. See “– Parity Debt and Subordinate Debt.”

Flow of Funds

Under the Indenture, the Agency covenants to transfer, on or before the Business Day preceding such Interest Payment Date, all Subordinated Housing Set-Aside Revenues held by the Agency to the Trustee for deposit in the Housing Special Fund. All moneys in the Housing Special Fund will be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Housing Special Fund (each of which is hereby created and each of which the Agency hereby covenants and agrees to cause to be maintained), in the following order of priority (except as otherwise provided in subsection (2) below):

(1) **Interest Account.** The Trustee will set aside from the Housing Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year.

No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year.

All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(2) **Principal Account.** The Trustee will set aside from the Housing Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year.

In the event that there is insufficient money in the Housing Special Fund to make in full all such principal payments and Sinking Account Installments in such Bond Year,

then the money available in the Housing Special Fund will be applied pro rata to the making of such principal payments and such Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming due and payable on the Principal Payment Date in such Bond Year.

(3) ***Sinking Account.*** The Trustee will set aside from the Housing Special Fund and deposit in the Sinking Account an amount of money equal to the Sinking Account Installment payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account will be used by the Trustee to redeem Term Bonds.

(4) ***Reserve Account.*** The Trustee will set aside from the Housing Special Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as contemplated by the following paragraph) equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. No deposit need be made in the Reserve Account so long as there is on deposit therein an amount equal to the Reserve Account Requirement of each Series of Bonds then Outstanding.

The Reserve Account will be divided into subaccounts with respect to each Series of Bonds and each subaccount will be available only for payment of the Series of Bonds to which it relates.

See “– Reserve Account” below.

(5) ***Surplus.*** After making the deposits required in paragraphs (1) through (4) above, in any Bond Year, the Trustee will transfer any amount remaining on deposit in the Housing Special Fund to the Agency to be used for any lawful purpose of the Agency.

Reserve Account

Establishment and Funding. Under the Indenture, the Trustee has previously established the Reserve Account for the Bonds, which is to be maintained in an amount equal to aggregate of the Reserve Requirement (as defined below) for each Series of Outstanding Bonds.

Within the Reserve Account, the Trustee will establish the Series 2011A-T Reserve Subaccount, which will be funded on the Closing Date with a portion of the proceeds of the Series 2011 Bonds in an amount equal to the Reserve Requirement for the Series 2011 Bonds, or \$4,514,949.63. See “FINANCING PLAN.”

Reserve Account Requirement. “Reserve Account Requirement” is defined in the Indenture to mean, as of any calculation date, with respect to a Series of Bonds an amount equal to the least of

- (i) 10% of the proceeds (within the meaning of the Code) of that portion of such Series of Bonds Outstanding with respect to which Annual Debt Service is calculated,
- (ii) 125% of Average Annual Debt Service of such Series, or
- (iii) Maximum Annual Debt Service of such Series.

Application of Reserve Account. All money in (or available to) each subaccount of the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series of Bonds to which such subaccount of the Reserve Account relates if no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds of the applicable Series then Outstanding.

Amounts on deposit in the Series 2011A-T Reserve Subaccount will be available for the payment of debt service only on the Series 2011 Bonds.

If there is insufficient money in the Housing Special Fund to make in full all required deposits to the subaccounts in the Reserve Account, then the money available in the Housing Special Fund will be applied pro rata to such subaccounts in the proportion which all the Reserve Requirements for each Series bear to each other.

Any amount in the Reserve Account in excess of the Reserve Account Requirement will, upon Written Request of the Agency, be transferred by the Trustee to the Interest Account or the Principal Account, as directed by the Agency in such Written Request.

Substitution of Surety. In lieu of making the Reserve Account Requirement deposit or in replacement of moneys then on deposit in the Reserve Account (which will be transferred by the Trustee to the Agency upon delivery of a letter of credit satisfying the requirements stated below), the Agency, with prior written notification to the Rating Agencies, may deliver to the Trustee an irrevocable letter of credit, insurance policy, or surety bond, provided that the terms and conditions set forth in the Indenture are met. See APPENDIX C.

Parity Debt and Subordinate Debt

Issuance of Parity Debt. The Agency covenants in the Indenture that it will not issue Additional Bonds payable from the Subordinated Housing Set Aside Revenues and secured by a lien and charge upon the Subordinated Housing Set Aside Revenues equal to and on a parity with the lien and charge securing the Outstanding Bonds theretofore issued under the Indenture, unless the following specific conditions have been satisfied:

(a) The Agency must be in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect is filed with the Trustee.

(b) The issuance of such Additional Bonds is duly authorized pursuant to the Law and all applicable laws, provided for by a Supplemental Indenture duly executed and delivered by the Agency which must specify the following:

(i) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(ii) The authorized principal amount of such Additional Bonds;

(iii) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on Interest Payment Dates, (ii) all such Additional Bonds of like maturity and Series must be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account Installments, or any combination thereof, must be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(iv) The Interest Payment Dates, which must be on March 1 and September 1; provided, that Capital Appreciation Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

(v) The denomination and method of numbering of such Additional Bonds;

(vi) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(vii) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;

(viii) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;

(ix) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account must be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount will be maintained in the Reserve Account; and

(x) The form of such Additional Bonds.

(c) The Subordinated Housing Set Aside Revenues (based upon the assessed valuation of taxable property in the Project Areas as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's execution and delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds plus supplemental assessments for projects which have been completed and will be reflected on the tax roll for the next succeeding Fiscal Year, and projects the ownership of which has changed, all as confirmed by the appropriate officer of the County of Alameda), plus an assumed increase in Subordinated Housing Set Aside Revenues of 2% (based on the current assessed values, but also taking into account, with respect to each Project Area, (i) the lapsing of the previously approved tax override levied by the City in connection with the long-term funding of the City's pension obligations, (ii) the last date to receive tax increment as set forth in the applicable Redevelopment Plan, and (iii) a reasonable estimate of the date that the tax increment cap, if any, for such Project Area will be reached), are at least equal to 125% of Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Subordinated Housing Set Aside Revenues pursuant to the Law for each year that such Outstanding and Additional Bonds and any such unsubordinated loans, advances or indebtedness remain outstanding.

(d) Refunding Bonds may be authorized and issued by the Agency without compliance with the requirements in clause (c) above in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

- (i) The principal or redemption price of all Outstanding Bonds to be refunded;
- (ii) All expenses incident to the calling, retiring or paying of such Outstanding Bonds and the costs of issuance of such refunding Bonds; and
- (iii) Interest on all Outstanding Bonds to be refunded to the date such Bonds will be called for redemption or paid at maturity.

The proceeds of the sale of the refunding Bonds will be applied by the Trustee according to the direction of the Agency to the retirement of the Outstanding Bonds for the refunding of which said refunding Bonds are to be issued. All Bonds purchased, redeemed or retired by use of funds received from the sale of refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of refunding Bonds, will be forthwith cancelled and will not be reissued.

(e) Nothing contained in the Indenture limits the issuance of any bonds of the Agency payable from the Subordinated Housing Set Aside Revenues and secured by a lien and charge on the Subordinated Housing Set Aside Revenues if, after the issuance and delivery of such bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding; further, nothing contained in the Indenture prohibits the issuance of any bonds or other indebtedness by the Agency secured by a pledge of revenues (including Subordinated Housing Set Aside Revenues) subordinate to the pledge of Subordinated Housing Set Aside Revenues securing the Bonds.

Compliance with Central District Redevelopment Plan Limits

Under the Indenture, in order to ensure the timely payment of the principal of and interest on the Bonds, the Agency covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue and Housing Set Aside Revenues remaining available to be received by the Agency under the Central District Redevelopment Plan (excluding, for purposes of the calculations set forth in this and the next three succeeding paragraphs, any tax increment revenue or Housing Set Aside Revenues derived from the portion of the Central District Redevelopment Project that was added by the amendment to the Central District Redevelopment Plan in 2002) as well as (i) future cumulative Annual Debt Service allocated to the Central District Redevelopment Project, which will be deemed to be 44.59% of Annual Debt Service through and including the Bond Year ending September 1, 2022, (ii) payments on any obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are senior to the payment of the Bonds, and (iii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are subordinate to the Bonds.

If, based on such review, the allocation of Housing Set Aside Revenues derived from the Central District Redevelopment Project to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to 95% of the Housing Set Aside Revenues remaining to be collected under the tax increment cap set forth in the Central District Redevelopment Plan to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are senior to the Bonds, and (iii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are subordinate to the Bonds, the Agency will adopt a plan approved by an "Independent Redevelopment Consultant" (as defined in the Indenture) that

demonstrates the Agency's continuing ability to pay debt service on the Bonds on a timely basis.

Such plan may include, among other actions, escrowing Housing Set Aside Revenues to be used to pay debt service on the Bonds, defeasing or redeeming the Bonds, or reducing the amount of tax increment being claimed with respect to the Central District Redevelopment Project.

If the Agency elects to escrow Housing Set Aside Revenues or defease or redeem Bonds, the Agency will thereafter pay no more than 44.59% of current debt service on the Bonds from Housing Set Aside Revenues derived from the Central District Redevelopment Project until such escrowed amounts are used to redeem or otherwise pay Bonds.

If the Agency determines to defease Bonds, such defeasance will be accomplished as provided in the Indenture. Further, if the Agency elects to defease or redeem Bonds, the Agency will notify Moody's and S&P. The Agency will also provide a copy of such plan to Moody's and S&P.

TAX ALLOCATION FINANCING

Introduction

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. First, the assessed valuation of the taxable property in a project area last equalized prior to adoption of the redevelopment plan is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the Base Year Value, the taxing agencies on behalf of which taxes are levied on property within the project area will receive the taxes produced by the levy of the then current tax rate upon the base roll.

Except as discussed in the following paragraph, taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes produced as above indicated.

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

Property Tax Rate and Appropriation Limitations

Article XIII A of State Constitution. On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A").

Article XIII A limits the amount of any *ad valorem* tax on real property to one percent of the "full cash value" thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

The Agency has no power to levy and collect taxes. Any further reduction in the tax rate or the implementation of any constitutional or legislative property tax de-emphasis will reduce Tax Revenues, and, accordingly, would have an adverse impact on the ability of the Agency to pay debt service on the Series 2011 Bonds.

Court Challenges to Article XIII A. There have been many challenges to Article XIII A of the State Constitution. In *Nordlinger v. Hahn*, a challenge relating to residential property, the United States Supreme Court held that the method of property tax assessment under Article XIII A did not violate the federal Constitution.

The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Article XIII B of State Constitution. An initiative to amend the State constitution was approved on September 6, 1979 thereby adding Article XIII B to the California Constitution ("Article XIII B").

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

The California State Legislature, by Statutes of 1980, Chapter 1342 enacted a provision of the Redevelopment Law (Health and Safety Code Section 33678) providing that the allocation and payment of taxes to a redevelopment agency for the purpose of paying principal

of or interest on loans, advances or indebtedness incurred for redevelopment activity as defined in the statute will not be deemed the receipt by the Agency of proceeds of taxes levied by or on behalf of a redevelopment agency within the meaning or for the purpose of Article XIII B of the State Constitution, nor will such portion of taxes be deemed receipt of proceeds of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purposes of Article XIII B of the State Constitution or any statutory provision enacted in implementation of Article XIII B.

Unitary Property

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

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor.

The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens.

A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer:

- (1) a civil action against the taxpayer;
- (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer;
- (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and
- (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

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 currently used in the County, redevelopment agencies receive 100% 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 County Auditor-Controller allocates tax increment revenue is consistent with the interpretations of a number of other counties in the State. *However, no assurance can be made that the County will continue to allocate 100% of levied taxes to the Agency without regard to roll corrections, delinquency and refunds for the life of the Series 2011 Bonds.*

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 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption and a \$15 redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector.

A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

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

Certification of Agency Indebtedness

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

The Redevelopment Law provides that the county auditor is limited in payment of tax increment to a redevelopment agency to the amounts shown on the Agency's statement of indebtedness for each Project Area.

The Redevelopment Law further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the Agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action will involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a public agency in connection with payments by such public agency pursuant to a bond issue which shall not be disputed in any action under the section.

The Agency believes that the Series 2011 Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the county auditor, subject, however, to future changes in State law. See "CERTAIN RISKS TO BONDHOLDERS – Impact of State Budgets."

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

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

In accordance with Section 33333.4, redevelopment plans adopted after October 1, 1976 but prior to January 1, 1994 are required to include a time limit on the establishment of indebtedness to be repaid with tax increment and a limit on the amount of tax increment revenue that may be divided and allocated to the project area. In addition, if the plan authorizes the issuance of tax allocation bonds, a limit on the amount of bonded indebtedness that may be outstanding at one time must be included. For those redevelopment plans adopted prior to October 1, 1976 that did not contain these limits, the legislative body was required to amend the redevelopment plans by ordinance not later than December 31, 1986. The amendment must include provisions to limit the number of tax increment dollars that could be allocated to the agency pursuant to the plan, to establish a time limit to create debt to be repaid with tax increment, and to limit the commencement of eminent domain.

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

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

See “THE PROJECT AREAS–Project Areas Redevelopment Plan Limits” for a summary of the plan limits applicable to the Project Areas.

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, to annually set aside not less than 20% of all property tax increment revenues allocated to the Agency pursuant to the Redevelopment Law and to deposit said revenues in a Low and Moderate Income Housing Fund (the “Housing Set-Aside”) to be used within the jurisdiction of the Agency to increase, improve, and preserve the community’s supply of low and moderate income housing.

On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., which increased the Housing Set-Aside from 20% to 25% for those Project Areas in which the debt service coverage ratio of the Project Area equals or exceeds 120%. The Resolution 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 shall be paid on a superior basis to the additional 5% housing set aside.

Assembly Bill 1290

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

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

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

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

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

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

The Agency is of the opinion that the provisions of AB 1290, as revised and modified including the time limitations provided in AB 1290, will not have an adverse impact on the payment of debt service on the Series 2011 Bonds because the statutory formula for sharing tax increment required by AB 1290 applies only to tax increment revenues net of the housing set-aside.

For a summary of the time limitations provided in AB 1290, see "THE PROJECT AREAS - Project Areas Redevelopment Plan Limits" below.

Senate Bill 211

Senate Bill 211 (being Chapter 741, Statutes of 2001) ("SB 211") was adopted by the California Legislature and became law on January 1, 2002. Among other things SB 211 authorizes a redevelopment agency that adopted a redevelopment plan on or before December 31, 1993, to amend that plan in accordance with specified procedures to extend its effectiveness and receive tax increment revenues with respect to the plan for not more than 10 years if specified requirements are met. If a plan is so amended, the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%.

SB 211 also allows redevelopment agencies to amend redevelopment plans to eliminate the time limit for the establishment of loans, advances and indebtedness. However, such elimination will trigger statutory tax sharing with those taxing entities that do not have tax sharing agreements. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective.

The Agency has covenanted in the Indenture not to amend the Redevelopment Plan in a manner that would impair the Agency's ability to pay debt service on the Bonds.

CERTAIN RISKS TO BONDHOLDERS

The following information should be considered by prospective investors in evaluating the Series 2011 Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to making an investment decisions with respect to the Series 2011 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Series 2011 Bonds, the Agency has made certain assumptions with regard to the assessed valuation of taxable property in the Project Area, future tax rates, percentage of taxes collected, the amount of funds available for investment and the interest rate at which those funds will be invested. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentages collected, the amount of the funds available for investment or the interest rate at which they are invested, are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Series 2011 Bonds will, in all likelihood, be less than those projected herein. See "THE PROJECT AREAS – Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage."

Reduction of Tax Revenues

Tax Revenues allocated to the Agency are determined by the incremental assessed value of taxable property in the Project Areas, the current rate or rates at which property in the Project Areas is taxed, and the percentage of taxes collected in the Project Areas.

Several types of events which are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues, and therefore, Subordinated Housing Set Aside Revenues.

Reduction in Assessed Valuation. Tax Revenues allocated to the Agency are determined in part by the amount of incremental assessed value in the Project Areas and the current rate at which property in the Project Areas is taxed.

Future reductions in assessed values of taxable property in the Project Areas could be caused by many factors, including without limitation the following:

Economic Factors. Economic factors beyond the Agency's control, such as a relocation out of the Project Areas by one or more major property owners, or a continued and prolonged economic downturn, could cause a long-term reduction in assessed values. Certain major property owners in the Project Areas operate cargo terminals and similar businesses that could be particularly affected by prolonged economic downturns. See "THE PROJECT AREAS – Top Ten Taxpayers."

Assessed Value Appeals. Property owners may appeal to the County Assessor for a reduction of their individual assessed valuations. See "THE PROJECT AREAS – Outstanding Appeals for Reduction of Assessed Valuation." Several of the ten largest property owners currently have pending assessed value appeals. See "THE PROJECT AREAS – Top Ten Taxpayers." In addition, the County Assessor could order a blanket reduction in assessed valuations based on then-current economic conditions. See "LIMITATIONS ON TAX REVENUES - Property Assessment Appeals."

Seismic and Environmental Events. The property in the Project Areas could become subject to complete or partial destruction caused by natural disasters such as earthquakes, wildfires or flooding, which could result in a reduction of assessed values of the affected property.

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 Areas. The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault, resulted in substantial damage to the infrastructure and property in certain Project Areas. In addition to the San Andreas Fault, faults that could affect the Agency include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County.

Hazardous Substances. 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 discovery of hazardous substances on property within the Project Areas could reduce the marketability and value of the property.

Eminent Domain. Under Article XIII A(2)(d) of the California Constitution and California Revenue and Taxation Code Section 68, a person who is displaced from property by eminent domain proceedings, or by governmental action resulting in a judgment of inverse condemnation, is permitted to transfer the adjusted base year value of the property from which the person is displaced to another comparable property anywhere within the State. Persons acquiring replacement property must request assessment pursuant to these provisions within four years of the date the property was acquired by eminent domain or purchase or the date the judgment of inverse condemnation becomes final. Such a reassessment affecting property in the Project Areas could result in a reduction in assessed values within the Project Areas.

Statewide Legislation. Actions of the California Legislature or electorate could adversely affect the existence or powers of the Agency or the availability of future Tax Revenues and Subordinated Housing Set Aside Revenues and adversely affect the security for the Series 2011 Bonds. See “- State Budget and Statewide Legislative Proposals” below.

Future reductions of assessed valuations could result in a reduction of the Tax Revenues that secure the Bonds, which in turn could impair the ability of the Agency to make payments of principal of or interest on the Series 2011 Bonds when due.

Reduction in Tax Rates. While the Agency is authorized to receive the Tax Revenues, it does not have the power to levy and collect property taxes directly. Accordingly, any reduction in tax rates, whether as a result of new statutes, constitutional amendment, changes in methods by which assessed valuation is established, the provisions of additional sources of revenues to taxing agencies which would reduce the need for Tax Revenues, or any increases in exemptions for the type of property to be located in a Project Area which are not offset by funds from other sources, would have the effect of reducing the Agency's Tax Revenues. Accordingly, such events could have an adverse impact on the ability of the Agency to pay debt service on the Series 2011 Bonds.

Reduction in Inflationary Rate. As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not

to exceed a 2% increase for any calendar year, or may be reduced to reflect a reduction in the consumer price index or comparable local data.

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%. Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation seven times:

<u>Fiscal Year</u>	<u>Inflationary Rate</u>
1983-84	1.000%
1995-96	1.190%
1996-97	1.110%
1999-00	1.853%
2004-05	1.867%
2010-11	(0.237%)
2011-12	0.753%

Fiscal year 2010-11 was the first time the inflationary value adjustment has been negative. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Areas, whether an increase or a reduction, will be realized in the future. See "LIMITATIONS ON TAX REVENUES."

See "THE PROJECT AREAS – Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage" for assumptions regarding future inflationary rates used for the projected debt service coverage with respect to the Series 2011 Bonds.

Property Tax Collections and Delinquencies; Bankruptcy; Concentration of Ownership. The Agency has no independent power to levy and collect property taxes or to foreclose the lien of delinquent property taxes. Although the Agency currently receives 100% of its Tax Revenues from the County under its current practice, if the County were to discontinue this practice in the future, the Agency's Tax Revenue receipts would become subject to property tax payment delinquencies.

Further, the collection of property taxes by the County, and the ability of the County to timely foreclose the lien of a delinquent unpaid property tax, may be limited or delayed by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure.

The top ten property taxpayers in the Project Areas are responsible for a significant portion of the property taxes collected within the Project Areas. See "THE PROJECT AREA" for a listing of the major property taxpayers within the Project Areas.

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 Areas. See "THE PROJECT AREAS."

Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. However, any such impact with respect to utility properties within the Project Areas will be lessened because the impact will be spread on a County-wide basis.

For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES—Property Tax Collection Procedures" and "—Taxation of Unitary Property."

Risks Related to Unsecured Assessed Valuations. Unsecured assessed valuation may be more susceptible to fluctuation from year to year than secured roll valuation because property on the unsecured tax roll includes personal property (including cargo, inventory and equipment) and leasehold interests, which can be more susceptible to reductions in value due to adverse economic circumstances affecting the owner of the properties assessed.

Reductions in unsecured assessed valuation may be caused by factors including, among others: increased competition or adverse economic conditions resulting in less personal property being located (and assessed) within the Project Areas; relocation of businesses out of the Project Areas, and resulting loss of the ability to assess the related personal property; and local real estate conditions that cause reductions in the assessed valuation of leaseholds.

As described below, a significant portion of the assessed value of the combined Project Areas consists of unsecured assessed valuation. See “THE PROJECT AREAS – History of Assessed Valuations” and “THE PROJECT AREAS – Land Use Summary.” The proportion is greater for the top ten taxpayers, many of whom operate cargo terminals. See “THE PROJECT AREAS – Top Ten Taxpayers.”

The Agency cannot predict the impact of these factors on unsecured assessed valuations within the Project Areas in the future. Substantial reductions in the unsecured tax roll could result in reduced tax increment revenues to the Agency notwithstanding increases in valuation in the secured roll.

Bankruptcy

The rights of the Owners of the Series 2011 Bonds and the enforceability of the obligation to make payments on the Series 2011 Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Series 2011 Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX D–“Proposed Form of Bond Counsel Opinion.”

Impact of State Budgets and State-Related Matters

Prior Fiscal Years. In connection with its approval of the budget for fiscal years 1992-93, 1993-94, 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency’s tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund (“ERAF”).

The 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.

AB 1389. In 2008, the State enacted legislation known as AB 1389 (Chapter 751, Statutes 2008) (“AB 1389”), that among other things required redevelopment agencies to pay into ERAF in fiscal year 2008-09, prior to May 10, 2009, an aggregate amount of \$350 million, of which the Agency was 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.

On April 30, 2009, a California Superior Court in *California Redevelopment Association v. Genest* (County of Sacramento) (Case No. 34-2008-00028334) held that these required payments violated the California constitution and invalidated and enjoined the operation of the California Health and Safety Code section requiring such payment. On May 26, 2009, the State filed a notice that it would appeal the decision of the superior court. On September 28, 2009, the State noticed its withdrawal of its appeal; accordingly, the Superior Court holding of invalidity of the applicable portion of AB 1389 is final.

As a result, the Agency was not responsible for an ERAF payment in Fiscal Year 2008-09.

2009 SERAF Legislation. In July 2009, in connection with various legislation related to the Fiscal Year 2009-10 State budget, the State enacted Assembly Bill No. 26 (the "2009 SERAF Legislation"), which mandates that redevelopment agencies make deposits to the Supplemental Educational Revenue Augmentation Fund ("SERAF") established in each county treasury. The aggregate SERAF contribution for fiscal year 2009-10 is \$1.7 billion, which is due prior to May 10, 2010, and for Fiscal Year 2010-11 is \$350 million, which is due prior to May 10, 2011.

Under this legislation the Agency was required to pay \$41,114,526 by May 10, 2010, which the Agency paid in full, and it will further be required to pay \$8,456,590 in May 2011.

Beginning in Fiscal Year 2001-02 the Agency has voluntarily increased contributions to its Low and Moderate Income Housing Fund from the statutory requirement of 20% to 25% of gross increment. In Fiscal Years 2009-10 and 2010-11, the Agency reduced that voluntary 5% contribution in part or in whole, and used those funds instead to pay a portion of the SERAF payment. The Agency expects that it will pay the SERAF payment due in May 2011 in a timely manner.

The 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness. Section 6 of AB 26, codified at Health and Safety Code, § 33690 (a) (3), states:

"The obligation of any agency to make the payments required pursuant to this subdivision shall be subordinate to the lien of any pledge of collateral securing, directly or indirectly, the payment of the principal, or interest on any bonds of the agency including, without limitation, bonds secured by a pledge of taxes allocated to the agency pursuant to Section 33670 of the California Health and Safety Code."

The 2009 SERAF Legislation imposes various restrictions on redevelopment agencies that fail to timely make the required SERAF payments, including (i) a prohibition on adding or expanding project areas, (ii) a prohibition on the incurrence of additional debt, (iii) limitations on the encumbrance and expenditure of funds, including funds for operation and administration expenses, and (iv) commencing with the July 1 following the due date of a SERAF annual payment that is not timely made, a requirement that the applicable redevelopment agency allocate an additional 5% of all taxes that are allocated to the redevelopment agency under the Redevelopment Law for low and moderate income housing for the remainder of the time that the applicable redevelopment agency receives allocations of tax revenues under the Redevelopment Law.

The 5% additional housing set-aside penalty provision referred to in the 2009 SERAF Legislation (the "Penalty Set-Aside Requirement") would be in addition to the 20% of such tax revenues already required to be used for low and moderate income housing purposes. A

redevelopment agency that borrows from amounts required to be allocated to its housing set aside funds to make required SERAF payments but does not timely repay the funds, will also be subject to the Penalty Set-Aside Requirement.

Although the 2009 SERAF Legislation contains provisions that subordinate the obligation of redevelopment agencies to make the SERAF payments specified therein to certain indebtedness (which would include a subordination of the Agency's obligations with respect to the new SERAF payments to the Agency's obligation to pay debt service on the Series 2011 Bonds), there is no provision in the 2009 SERAF Legislation subordinating the Penalty Set-Aside Requirement to any indebtedness of a redevelopment agency that fails to timely make the SERAF payments mandated by the SERAF Legislation.

The California Redevelopment Association, the Union City Redevelopment Agency and the Fountain Valley Redevelopment Agency filed a lawsuit in Sacramento County Superior Court on October 20, 2009, challenging the constitutionality of the 2009 SERAF Legislation and seeking a permanent injunction to prevent the State from taking redevelopment funds for non-redevelopment purposes. On May 4, 2010, the Superior Court upheld the 2009 SERAF Legislation. The plaintiffs have appealed the decision in the Third District Court of Appeal. The appeal seeks repayment of the fiscal year 2009-10 payment and a prohibition of the second payment. The Agency cannot predict the outcome of the appeal.

Proposition 22. The State's ability to impose future ERAF and SERAF payments on redevelopment agencies may be affected by Proposition 22, which was approved by the California electorate on November 2, 2010.

Proposition 22, among other things, amends Sections 24 and 25.5 of Article XIII of the California Constitution to prohibit the State from reallocating, transferring, borrowing, appropriating or restricting the use of taxes imposed or levied by a local government solely for the local government's purposes.

As applied to redevelopment agencies, Proposition 22 adds Section 25.5(A)(7) to Article XIII of the State Constitution to prohibit the State from requiring a redevelopment agency

(A) to pay, remit, loan, or otherwise transfer, directly or indirectly, taxes on ad valorem real property and tangible personal property allocated to the agency pursuant to Section 16 of Article XVI of the State Constitution to or for the benefit of the State, any agency of the State, or any other jurisdiction; or

(B) to use, restrict, or assign a particular purpose for such taxes for the benefit of the State, any agency of the State, or any other jurisdiction, other than (i) statutory pass through payments required by Health and Safety Code Sections 33607.5 and 33607.7 and (ii) payments for the purpose of increasing, improving, and preserving the supply of low and moderate income housing available at affordable housing cost.

Although the passage of Proposition 22 will have no impact upon the Agency's obligation to pay the 2010 SERAF Amount, the State Legislative Analyst's Office ("LAO") has stated that the measure prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

No assurance can be provided that Proposition 22 will be implemented as contemplated by the LAO. In addition, Proposition 22 is subject to interpretation by the courts and there can be no assurance that the measure will not be challenged by the State or other parties or repealed by the voters of the State in the future.

Proposed 2011-12 Budget and Redevelopment Agencies. On January 10, 2011 Governor Jerry Brown released his proposed budget for fiscal year 2011-12 ("Proposed Budget"). The Proposed Budget recites that it is designed to address an estimated budget shortfall of \$25.4 billion in the fiscal year 2011-12 California State Budget, which consists of an \$8.2 billion projected deficit for 2010-11 and a \$17.2 billion gap between projected revenues and spending in 2011-12. The Governor's proposal includes approximately \$12.5 billion in budget cuts, \$12 billion in tax extensions and changes, and \$1.9 billion in other solutions. The Governor is calling for a statewide special election in June to extend for five more years tax measures currently set to expire.

The Proposed Budget makes the following redevelopment-related proposals (the "RDA Provisions"), among others, although only limited details are provided for such a far-reaching proposal:

- (i) Eliminate the current funding mechanism for redevelopment agencies.
- (ii) Prohibit existing agencies from creating new contracts or obligations effective upon enactment of urgency legislation.
- (iii) By July 1, disestablish existing redevelopment agencies and successor local agencies would be required to use the property tax revenues that redevelopment agencies would otherwise have received to retire redevelopment agency debts and contractual obligations "in accordance with existing payment schedules."
- (iv) For fiscal year 2011-12, divert an estimated \$1.7 billion remaining after paying the redevelopment agency debts and contractual obligations described in the preceding paragraph (iii) to offset State General Fund costs for Medi-Cal and trial courts. An additional estimated \$210 million would be distributed on a one-time basis to cities, counties, and special districts proportionate to their current share of the countywide property tax.
- (v) For fiscal years after fiscal year 2011-12, distribute the money available after payment of redevelopment agency debt and all obligations described in the preceding paragraph (iii) to schools, counties, cities, and non-enterprise special districts for general uses.
- (vi) Shift amounts in the redevelopment agency's balances reserved for low-moderate income housing to local housing authorities for low and moderate income housing.
- (vii) Introduce a new financing mechanism for economic development. Specifically, the Proposed Budget proposes that the Constitution be amended to provide for 55% voter approval for limited tax increases and bonding against local revenues for development projects such as are currently done by redevelopment agencies. Voters in each affected jurisdiction would be required to approve use of their tax revenues for these purposes.

Implementation of the Proposed Budget. Implementation of the Proposed Budget, including the RDA Provisions, would require implementing legislation by the Legislature and voter approval as to certain material elements and would probably include terms which are not yet proposed but that would be material to the Agency and the Series 2011 Bonds. The Agency cannot predict the ultimate form of any implementing legislation, if any is adopted.

Elements of the RDA Provisions, including the economic development program authorization, contemplate voter approval through the initiative process. It is possible that Proposition 22, which is described immediately above, will affect the State's ability to implement some of the RDA Provisions. It is possible that the Governor and the Legislature may seek voter approval of changes to the terms of Proposition 22 that are in conflict with the Proposed Budget, including the RDA Provisions.

The Agency cannot predict the timing, terms or ultimate implementation of any such final legislation or voter initiative measures, or the impact on the Agency or the Series 2011 Bonds of any proposed, interim or final legislative and constitutional changes that may be adopted arising out of the Proposed Budget.

Legislative Analyst Reports. The LAO released its Overview of the Governor's Budget ("LAO Overview") on January 12, 2011. As it relates to the RDA Provisions the LAO Overview suggests the proposal has merit "but faces considerable implementation issues." The LAO Overview notes:

"The administration's plan will require considerable work by the Legislature to sort through many legal, financial and policy issues. Several voter-approved constitutional measures, for example, constrain the State's authority to redirect redevelopment funds, use property tax revenues to pay for state programs, or impose increased costs on local agencies. In addition, the administration's plan does not address many related issues, such as clarifying the future financial responsibility for low- and moderate- income housing (currently, a redevelopment program)."

Finally, the LAO Overview recommends that the Legislature pass urgency legislation as soon as possible prohibiting redevelopment agencies, during the period of legislative review of the Proposed Budget, from taking actions that increase their debt.

On February 9, 2011, the LAO released its report regarding the Governor's proposal to end redevelopment agencies, entitled "Should California End Redevelopment Agencies?", which further notes:

"Ordinarily, we would recommend that the state phase out [the redevelopment] program over several years or longer to minimize the disruption an abrupt ending likely would engender. Given the state's extraordinary fiscal difficulties, however, the Legislature will need to weigh the effect of this disruption in comparison with other major and urgent changes that the state would need to make if this budget solution were not adopted."

Draft Legislation to Eliminate Redevelopment Agencies and Restrict Activities.

Draft legislation implementing the Governor's Proposed Budget was released by the Department of Finance of the State on February 23, 2011 (the "**draft legislation**"). On March 3, 2011, after making certain revisions to the Governor's Proposed Budget, the Joint Budget Committee of the California Legislature voted six to four in favor of the Governor's Proposed Budget (as revised), which still includes the draft legislation. The Agency can provide no assurances that the draft legislation will be enacted in its present form, in a different form, or at all. A brief summary of the draft legislation is set forth below, but investors are encouraged to read the entire draft legislation. The draft legislation can be obtained from the State of California's Department of Finance website at the following address (this address is provided for the convenience of investors and the website is not incorporated by reference in this Official Statement):

http://www.dof.ca.gov/budgeting/trailer_bill_language/financial_research_and_local_government/documents/502%20RDA%20Legislation%202-23p.docx.

The draft legislation is styled as an urgency measure, which requires a two-thirds vote of each house of the Legislature for passage; urgency legislation is effective immediately upon passage and upon the signature of the Governor. It is possible that, if the draft legislation is included as a part of a complete budget package passed by the Legislature, it could be passed with only majority vote approval and still become effective immediately. The draft legislation makes it clear that its provisions would not be retroactive.

The draft legislation declares that it is the intent of the Legislature to do the following:

"(1) Bar existing redevelopment agencies from incurring new obligations that would divert any more money from core functions and dissolve all existing redevelopment. It is the intent of the Legislature that the greatest amount of funding be realized from these actions to fund core governmental services.

(2) Beginning with 2012-13 fiscal year, allocate these funds according to the existing property tax allocation, except for enterprise special districts, to make the funds available for cities, counties, special districts, school and community college districts to provide core governmental services. As a result of these actions, it is estimated that, by fiscal year 2012-13, these local entities will receive \$1.9 billion per year in new resources to use for their core priorities.

(3) Require a successor entity to settle the affairs of the redevelopment agencies.

(4) Require the protection of contractual rights by successor agencies, which will be required to retire redevelopment agency debts in accord with existing payment schedules. No existing contractual obligations will be impaired."

The draft legislation would suspend immediately upon adoption a variety of Agency activities, including the issuance of bonds and the entering into of contracts, but would allow agencies to continue to make all scheduled payments for "enforceable obligations," which is a defined term that includes bonds. Because the draft legislation purports to prohibit the Agency from entering into new contracts after the effective date of the draft legislation, it is not clear whether the Agency would be authorized to enter into new contracts involving the expenditure of Series 2011 Bond proceeds for redevelopment projects after the effective date of the draft legislation.

Thereafter, on July 1, 2011, the draft legislation would dissolve all redevelopment agencies and vest their remaining powers in successor agencies. Each successor agency would be governed by a new seven-member oversight board, which would consist of, among others, a member selected by the county board of supervisors, a member selected by a non-enterprise special district, and two members selected by the county superintendent of education to represent schools and community college districts. The city council or board of supervisors that formed the redevelopment agency could select only one member of the oversight board. The result of this make up of the oversight board is that its actions may not be in the best interest of, and may be adverse to, the former redevelopment agency or the city that formed the redevelopment agency and the owners of the Series 2011 Bonds.

Again, because the draft legislation purports to prohibit the successor agency from entering into new contracts, it is not clear whether the successor agency would be authorized to enter into new contracts involving the expenditure of bond proceeds for redevelopment projects after the effective date of the draft legislation.

Under the draft legislation, the county or city that authorized the creation of a redevelopment agency may elect to retain the housing assets and functions previously performed by the redevelopment agency or may designate its local housing authority to perform such functions. If a county or city elects to retain the responsibility for performing housing functions previously performed by a redevelopment agency, all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, along with any amounts in the low and moderate income housing fund, will be transferred to such city or county. Under the draft legislation, certain housing functions are subject to oversight by the oversight board. The draft legislation is silent regarding the question of whether a county or city electing to retain the responsibility for performing housing functions previously performed by a redevelopment agency would have the power to enter into new contracts and agreements regarding the expenditure of amounts on deposit in the low and moderate income housing fund. Since proceeds of the Series 2011 Bonds are being deposited in the Agency's Low and Moderate Income Housing Fund, the expenditure of those proceeds could be limited to projects for which there are currently enforceable obligations if the final legislation is determined to prohibit new contracts or arrangements.

Subject to the approval of the oversight board, each successor agency would be charged with preparing "Recognized Obligation Payment Schedules" which document the minimum payments and due dates of payments required by "enforceable obligations" for each half-year fiscal period. "Enforceable obligations" include, among other things, bonds issued pursuant to the Redevelopment Law (including the required debt service, reserve set-asides and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former agency). Commencing January 1, 2012, only those payments listed in the Recognized Obligation Payment Schedule may be made by the successor agency from funds specified in the Recognized Obligation Payment Schedule. For fiscal year 2011-12, the draft of the Recognized Obligation Payment Schedule must be reviewed and certified, as to its accuracy, by an external auditor. The initial Recognized Obligation Payment Schedule must also be certified by the county auditor-controller.

The draft legislation provides that any legally binding obligations that were entered into with a pledge of tax increment will continue to have the revenues that were formerly tax increment and which are deposited into a new "Redevelopment Obligation Retirement Fund" to be held by the successor agency. However, the draft legislation establishes a priority of allocation with respect to property tax increment that would have been allocated to each redevelopment agency without regard for existing priority relationships; these property taxes would be deposited in a Redevelopment Property Tax Trust Fund (to be administered by the county auditor-controller) and then, in fiscal year 2012-13 and following, allocated as follows. The allocation is the same for fiscal year 2011-12, except as noted below.

First, to schools and community college districts in the amount that they would have received if the draft legislation had not been adopted into law.

Second, on June 1 and January 2, to successor agencies, for payments listed in the Recognized Obligation Payment Schedule for the next six month fiscal period beginning on the next July 1 or January 1, in the following priority order: (A) debt service payments scheduled to be made for tax allocation bonds, (B) payments scheduled to be made on revenue bonds, but only to the extent the revenues pledged for them are insufficient to make the payments and only when the agency's tax increment revenues were also pledged for the repayment of such bonds, and (C) payments scheduled for other debts and obligations listed in the Recognized Obligation Payment Schedule. For fiscal year 2011-12, the draft legislation provides that, before being used to make the payments listed in the Recognized Obligation Payment Schedule, the property taxes

would be used to pay each successor agency's share of an aggregate \$1.7 billion payment to a "Public Health and Safety Fund".

Third, on January 2 and June 1, to each successor agency for administrative costs. Beginning in fiscal year 2012-13, the amount allocated for administrative costs may not exceed 3% of the amount allocated for the purposes described in *Second* above.

Fourth, on January 2 and June 1, any moneys remaining in the Redevelopment Tax Trust Fund after the payments and transfers authorized by *First*, *Second* and *Third* will be distributed to cities, counties, non-enterprise special districts, schools and community college districts (schools and community college districts receive no additional allocation in fiscal year 2011-12). If a successor agency is other than the agency that formed a redevelopment agency, the share that would have been allocated to that agency will instead be allocated to the agency that is the successor agency. If a local agency other than the county auditor-controller has accepted responsibility for administering the Public Health and Safety Fund in a county, the county share will be allocated to that local agency.

In years after fiscal year 2011-12, if the successor agency reports to the county auditor-controller, no later than December 1 or May 1, that the total amount available to the successor agency from the Redevelopment Property Tax Trust Fund allocation to that successor agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the each redevelopment agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the payments required by this section in the next six-month fiscal period, the county auditor-controller will notify the State Controller and the Department of Finance no later than 10 days later. The county auditor will verify whether the successor agency will have sufficient funds from which to service debts according to the schedule and will report the findings to the Controller. If the Controller concurs that there are insufficient funds to pay required debt service, the amount of such deficiency will be deducted first from the amount remaining to be distributed to taxing entities pursuant to *Fourth*, and if that amount is exhausted, from amounts available for distribution for administrative costs in *Third*. If an agency made pass-through payment obligations subordinate to debt service payments required for enforceable obligations, funds for servicing bond debt may be deducted from the amounts for pass-through payments under *First*, if the amounts remaining to be distributed to taxing entities pursuant to *Fourth* and the amounts available for distribution for administrative costs in *Third* have all been exhausted. In fiscal year 2011-12, amounts available for allocation to the Public Health and Safety Fund may also be available for this purpose.

Finally, the draft legislation, if adopted, would lengthen the statute of limitations (i) for the commencement of an action to review a determination or finding by a redevelopment agency or its legislative body, from 90 days to three years after the determination or finding, if such determination or finding is made after January 1, 2011, and (ii) for any action that is brought on or after January 1, 2011, to determine the validity of bonds issued by the redevelopment agency, from 60 days to three years after the date of the triggering event. Although the Agency does not believe there is any defect in the proceedings for the issuance of the Series 2011 Bonds that could give rise to a successful challenge and Bond Counsel is providing its opinion with respect to the Series 2011 Bonds as set forth in an Appendix to this Official Statement, there could be an increased risk of a legal challenge because the Agency is issuing the Series 2011 Bonds after January 1, 2011, and any such challenge could affect the market price of the Series 2011 Bonds on the secondary market.

The draft legislation is merely a draft, and subject to modification during the legislative process. No assurance can be given that the draft legislation will be enacted in its present form, in a different form, or at all.

Potential Impact on the Agency and the Series 2011 Bonds. There are a variety of ways in which the Proposed Budget, the RDA Provisions and the draft legislation, if adopted, could impact the Agency and the Series 2011 Bonds, although the Agency is not able to predict the full variety or extent of these impacts, and the impacts will vary greatly depending on the final terms of the draft legislation or any other laws adopted to implement the Proposed Budget and the RDA Provisions:

(i) The RDA Provisions and draft legislation, if adopted, could impact the Agency's activities and programs generally and could reduce or eliminate its fund balances and staffing.

(ii) Subject to certain constitutional protections described below, the RDA Provisions and draft legislation, if adopted, could affect the Agency's compliance with and performance under the terms of the Indenture and the Series 2011 Bonds. These impacts could relate to the amount or availability of Housing Set Aside Revenues for the Series 2011 Bonds and other uses, the manner of application of Housing Set Aside Revenues to debt service, flow of funds, use of Series 2011 Bond proceeds to fund new projects, compliance with Indenture covenants, continuing disclosure and other matters.

(iii) Pending final adoption of the draft legislation or other laws to implement the RDA Provisions, interim proposals could affect the activities of the Agency and the market value of the Series 2011 Bonds.

(iv) Most significantly, the RDA Provisions and draft legislation -- if adopted and implemented in their proposed form -- would eliminate redevelopment agencies and redeploy tax increment revenues affecting redevelopment agencies. These actions would almost certainly raise legal and practical issues, some of which may be subject to litigation and ultimate resolution in the courts, or subsequent legislative action. These issues could affect the Agency and its compliance with the terms of the Indenture and the Series 2011 Bonds, and resolution of these issues could involve expense and delay or modification of certain of the rights of the bondholders in ways the Agency cannot predict.

Constitutional Protections. The Agency believes that constitutional protections against the impairment of contracts will prevent the proposed actions in the RDA Provisions and draft legislation from adversely affecting the validity of the Series 2011 Bonds or the Agency's pledge of Tax Revenues to secure the payment of the Series 2011 Bonds. Indeed, the RDA Provisions and draft legislation purport to provide for the payments by successor entities of existing redevelopment agencies' "debts and contractual obligations."

Article I, section 10 of the United States Constitution provides that "No state shall...pass any...law impairing the obligation of contracts." Article I, section 9 of the California Constitution provides that a "law impairing the obligation of contracts may not be passed." Each of these provisions is generally referred to as a "contracts clause." Federal courts have applied a fact-based three-part test to determine whether a state law violates the federal contracts clause. In general, the test compares any impairment against the significant and legitimate public purpose behind the state law; there is no absolute prohibition against impairment.

The United States Supreme Court has declared in the context of a New Jersey law that would have retroactively repealed a 1962 statutory (but contractual) covenant that would have

adversely impacted bondowners: "A governmental entity can always find a use for extra money, especially when taxes do not have to be raised. If a State could reduce its financial obligations whenever it wanted to spend the money for what it regarded as an important public purpose, the Contract Clause would provide no protection at all." See *United States Trust Co. of New York v. New Jersey* (1977) 431 U.S. 1, 25-26.

The Agency cannot predict the applicable scope of "contract clause" protections to the Series 2011 Bonds, or their affect on and the RDA Provisions and draft legislation as they may ultimately be implemented. Efforts to protect the rights of Bondholders and to enforce the terms of the Indenture, if necessary, could involve expense and delay including with respect to the determination of the applicable scope of the "contract clause" provisions.

Future State Action. The Agency cannot predict what actions will be taken in the future by the voters of the State, the State Legislature and the Governor to deal with changing State revenues and expenditures and the repercussions they may have on the current fiscal year State Budget, the Proposed Budget and future State budgets, or their impact on the Agency. These developments at the State level, whether related to the Proposed Budget or not, may, in turn, affect local governments and agencies, including the Agency. Even if the proposals affecting the Agency in the Proposed Budget are not adopted, the State Legislature may adopt other legislation from time to time requiring redevelopment agencies to make other payments to ERAF or SERAF or to make other payments. The impact that current and future State fiscal shortfalls will have on the Agency is unknown at this time. In prior years, the State has experienced budgetary difficulties and as in the Proposed Budget, balanced its budget by requiring local political subdivisions, such as the County, the City and the Agency, to fund certain costs previously borne by the State.

Under the agreement between the Underwriter and the Agency for the purchase of the Series 2011 Bonds by the Underwriter on the Closing Date, the Underwriter reserves the right to terminate its obligation to purchase the Series 2011 Bonds should legislation be introduced in, considered by or be enacted by any governmental body, department or political subdivision of the State that, in the reasonable opinion of the Underwriter, would make it impracticable or inadvisable to proceed with the offer, sale or delivery of the Series 2011 Bonds.

Information About the State Budget and the State. Information about the State budget and State spending is regularly available from various State offices, including the Department of Finance, the Office of the Legislative Analyst and the State Treasurer. However, none of such information is incorporated by such reference.

Structural Risks of Series 2011 Bonds

The last date to repay debt with tax increment from the Central District Project Area occurs in June 2022. See "THE PROJECT AREAS – Project Areas Redevelopment Plan Limits" and "-Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage." Therefore, after June 2022, the debt service securing the Series 2011 Bonds will be secured by a reduced number of parcels and Project Areas. See "THE PROJECT AREAS – Summary of Project Areas Other Than Central District Project Area."

Under the Indenture, the Agency will covenant to annually review the total amount of tax increment revenue and Housing Set Aside Revenues remaining available to be received by the Agency under the Central District Redevelopment Plan, and to take certain actions (which may include escrowing Housing Set Aside Revenues to be used to pay debt service on the Bonds, defeasing or redeeming the Bonds, or reducing the amount of tax increment being claimed with respect to the Central District Redevelopment Project) if certain conditions are met. See

“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS – Compliance with Central District Redevelopment Plan Limits.”

LIMITATIONS ON TAX REVENUES

The Series 2011 Bonds are secured by a pledge of Subordinated Housing Set Aside Revenues. The Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Subordinated Housing Set Aside Revenues available to the Agency for payment of the principal of and interest on the Series 2011 Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISKS TO BONDHOLDERS” above.

Introduction

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

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

Property Tax Rate Limitations–Article XIII A

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, and (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the

voters as previously described. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A which is \$1.00 per \$100 of assessed market value.

Section 51 of the California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2% of the previous year’s assessment, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Article XIII A and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In March 2004, the Court of Appeal in a published opinion held that the trial court erred in ruling that assessed value determinations are always limited to no more than 2% of the previous year’s assessed value and reversed the judgment of the trial court. The ruling of the Court of Appeal was appealed to the State Supreme Court which denied the appeal for review in August 2004.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when new construction or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property.

Property Tax Collection Procedures

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

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

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

The “supplemental roll,” which was established by legislation in 1984, directs the County Assessor to reassess real property at market value upon completion of construction or a change of ownership. A property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the assessee. The resultant charge (or refund) is one-time

levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered. Billings of supplemental assessments are made on a monthly basis and due on the date mailed. If mailed between the months of July and October, the first installment becomes delinquent on December 10th and the second on April 10th. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing and the second installment becomes delinquent on the last day of the fourth month following the date the first installment was delinquent.

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer. These collection methods can be used separately or jointly.

Appropriation Limitation—Article XIII B

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

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

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

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

Effective in Fiscal Year 1990-91, Proposition 111 and SB 88 (Chapter 60/90) modified the manner in which the appropriations limit is to be calculated and requires annual election of an inflation adjustment factor and a population factor. The annual inflation adjustment factor selected by the City for the 2001-02 year is growth in California Per Capital Income. The population factor chosen is growth within the City.

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 2009-10, the County's administrative fee was \$849,082, or approximately 0.73% of Fiscal Year 2009-10 gross tax increment revenues.

Housing Set-Aside Revenues are calculated based on gross Tax Revenues, prior to any deduction for County administrative fees.

Taxation of Unitary Property

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

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

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

For Fiscal Year 2009-10, approximately \$2,524,923 of tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

Property Assessment Appeals

An assessee of locally-assessed or state-assessed property may contest the taxable value enrolled by the county assessor or by the State Board of Equalization ("SBE"), respectively. The assessee of SBE-assessed property or locally-assessed personal property, the valuation of which are subject to annual reappraisal, actually contests the determination of the full cash value of property when filing an assessment appeal. Because of the limitations to the determination of the full cash value of locally-assessed real property by Article XIII A, an assessee of locally assessed real property generally contests the original determination of the base assessment value of the parcel, i.e. the value assigned after a change of ownership or completion of new construction. In addition, the assessee of locally-assessed real property may contest the current assessment value (the base assessment value plus the compounded annual inflation factor) when specified conditions have caused the full cash value to drop below the current assessment value.

At the time of reassessment, after a change of ownership or completion of new construction, the assessee may appeal the base assessment value of the property. Under an appeal of a base assessment value, the assessee appeals the actual underlying market value of the sale transaction or the recently completed improvement. A base assessment appeal has significant future revenue impact because a reduced base year assessment will then reduce the compounded value of the property prospectively. Except for the two percent inflation factor allowable under Article XIII A, the value of the property cannot be increased until a change of ownership occurs or additional improvements are added.

Pursuant to Section 51(b) of the Tax Revenue and Taxation Code, the assessor may place a value on the tax roll lower than the compounded base assessment value, if the full cash value of real property has been reduced by damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in the value. Reductions in value pursuant to Section 51(b), commonly referred to as Proposition 8 appeals, can be achieved either by formal appeal or administratively by assessor staff appraising the property. A reduced full cash value placed on the tax roll does not change the base assessment value. The future impact of a parcel subject to a Proposition 8 appeal is dependent upon a change in the conditions which caused the drop in value. In fiscal years subsequent to a successful Proposition 8 appeal, the assessor may determine that the value of the property has increased as a result of corrective actions or improved market conditions and enroll a value on the tax roll up to the parcel's compounded base assessment value.

The taxable value of utility property may be contested by utility companies and railroads to the SBE. Generally, the impact of utility appeals is on the State-wide value of a utility determined by SBE. As a result, the successful appeal of a utility may not impact the taxable value of the Project Area but could impact a project area's allocation of unitary property taxes.

The actual impact to tax increment is dependent upon the actual revised value of assessments resulting from values determined by the County Assessment Appeals Board or through litigation and the ultimate timing of successful appeals. The actual valuation impact to the Project Areas from successful assessment appeals will occur on the assessment roll prepared after the actual valuation reduction. See "THE PROJECT AREAS – Outstanding Appeals for Reduction of Assessed Valuation."

Future Initiatives

Article XIII A, Article XIII B and certain other propositions affecting property tax levies were each adopted as measures which qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

THE PROJECT AREAS

Background

General Description. The Agency has previously established ten Project Areas which consist of the following:

Acorn Redevelopment Project [1]	(the "Acorn Project")
Broadway/MacArthur/San Pablo Redevelopment Project	(the "Broadway/MacArthur/San Pablo Project")
Central City East Redevelopment Project	(the "Central City East Project")
Central District Redevelopment Project	(the "Central District Project")
Coliseum Redevelopment Project	(the "Coliseum Project")
Oak Center Redevelopment Project [2]	(the "Oak Center Project")
Oak Knoll Redevelopment Project	(the "Oak Knoll Project")
Oakland Army Base Redevelopment Project	(the "Oakland Army Base Project")
Stanford/Adeline Redevelopment Project [2]	(the "Stanford/Adeline Project")
West Oakland Redevelopment Project	(the "West Oakland Project")

[1] This Project Area will cease to collect tax increment starting in Fiscal Year 2011-12.

[2] This Project Area has ceased to collect tax increment.

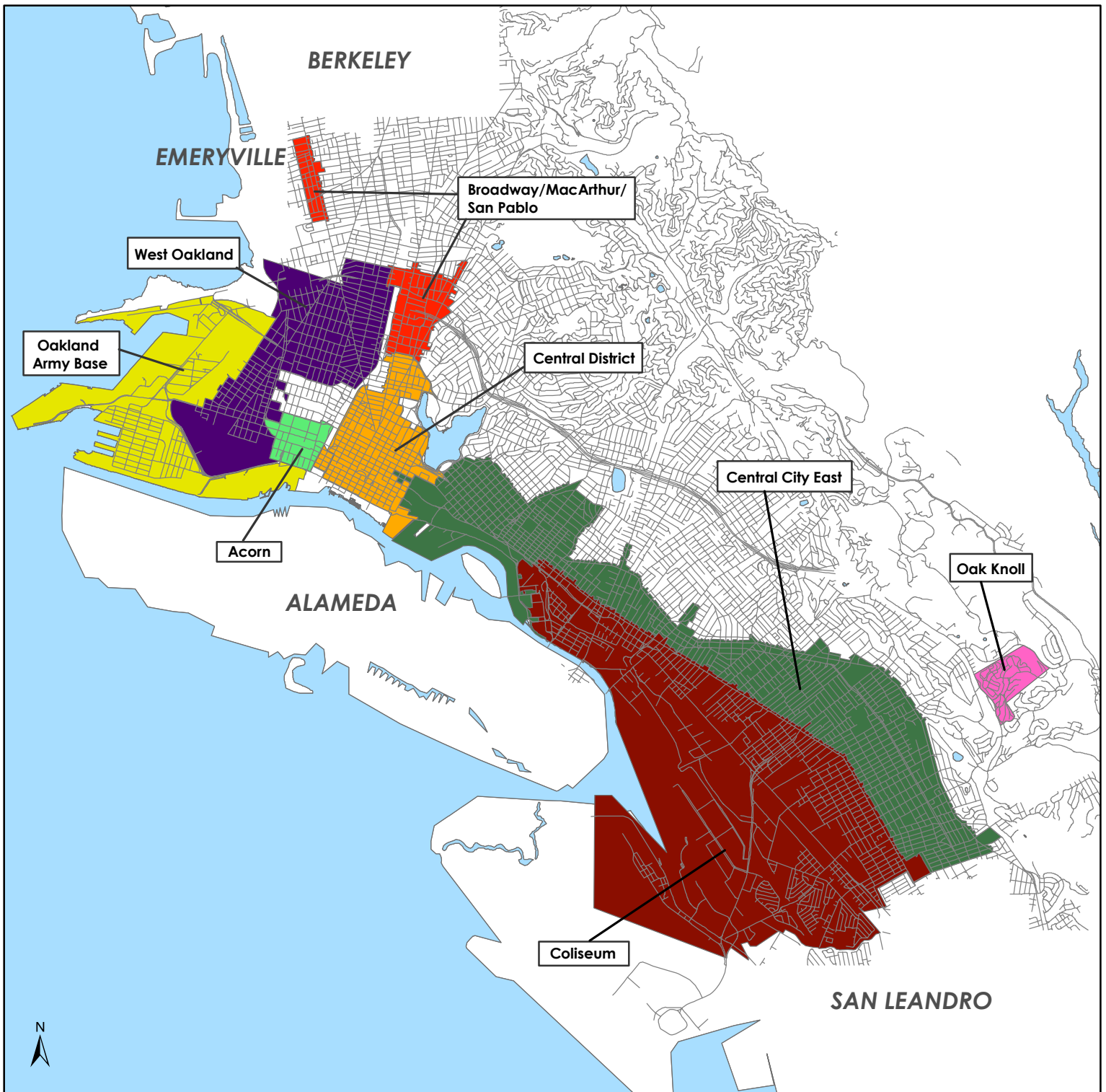
Set forth below is a map of the City showing the Project Areas.

Set forth below are general descriptions of the Agency's Project Areas. Additional information is included for the Central District Project Area, which is expected to generate approximately 47.44% of Subordinated Housing Set Aside Revenues in Fiscal Year 2010-11. "CERTAIN RISKS TO BONDHOLDERS - Structural Risks of Series 2011 Bonds."

Recent Improvements within the Project Areas. In Fiscal Year 2009-10, the Agency's ten Project Areas have benefited from numerous improvements due to the Agency's and the City's programs for streetscape, facade, tenant and home ownership improvement. The Agency's general objectives in these Project Areas include increasing the number of residential, industrial, commercial and public use facilities.

In Fiscal year 2009-10, over 1.48 million square feet of new construction was added, and over 826 thousand square feet of rehabilitation was completed.

City of Oakland - Redevelopment Areas -



City of Oakland
Community and Economic Development Agency - Redevelopment Division
<http://www.business2oakland.com/main/redevelopment.htm>
Last Modified 2/2011

History of Assessed Valuations

The table below outlines the total taxable values of properties within the Project Areas over the current prior four Fiscal Years.

Table 1
Redevelopment Agency of the City of Oakland
(All Project Areas Combined)
Taxable Value History
(\$ in thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10 [2]</u>	<u>2010-11 [2]</u>
Total Secured	\$11,781,179	\$13,197,988	\$14,029,459	\$13,337,615	\$12,309,707
Total Unsecured	<u>1,776,697</u>	<u>1,788,379</u>	<u>1,841,816</u>	<u>1,982,242</u>	<u>2,285,463</u>
Total taxable values	13,557,876	14,986,367	15,871,275	15,319,858	14,595,170
(Less Base Year Values) [1]	<u>(5,617,995)</u>	<u>(5,565,957)</u>	<u>(5,565,957)</u>	<u>(5,565,957)</u>	<u>(5,564,600)</u>
Incremental Value	\$7,939,880	\$9,420,410	\$10,305,318	\$9,753,900	\$9,030,570
Percentage Change		18.65%	9.39%	(5.35%)	(7.42%)

[1] Reflects the elimination of the ability to receive tax increment from the Stanford/Adeline Project Area and the Oak Center Project Area. See "- Project Areas Redevelopment Plan Limits" below.

[2] Declines in assessed valuations between 2009-10 and 2010-11 resulted from factors including assessed value appeals, ownership transfers and other factors.

Source: Alameda County Auditor-Controller.

History of Subordinated Housing Set Aside Revenues

The table below shows total Subordinated Housing Set Aside Revenues by Project Area for the prior five Fiscal Years.

Table 2
Redevelopment Agency of the City of Oakland
Subordinated Housing Set Aside Revenues History by Redevelopment Project Area
(\$ in thousands)

<u>Project Area</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11 [1]</u>	<u>2010-11 Percentage</u>
Central District	\$8,656	\$9,766	\$10,343	\$11,521	\$10,253	47.44%
Coliseum	5,545	6,147	6,664	5,381	4,954	22.92%
Central City East	3,936	4,432	4,634	2,324	2,074	9.60%
Oakland Army Base	1,046	1,165	1,043	1,219	1,834	8.49%
Broadway/MacArthur/San Pablo	874	1,056	1,181	1,010	982	4.54%
West Oakland	1,259	1,619	1,716	1,143	991	4.58%
Oak Center	320	22	-0-	-0-	-0-	0.00%
Acorn	216	247	257	283	258	1.19%
Stanford/Adeline	32	33	34	-0-	-0-	0.00%
Oak Knoll	<u>2</u>	<u>2</u>	<u>400</u>	<u>270</u>	<u>268</u>	<u>1.24%</u>
Total	\$21,886	\$24,489	\$26,272	\$23,151	\$21,614	100.00%

[1] Projections based on Fiscal Year 2010-11 assessed values and tax rates.

Source: Alameda County Auditor-Controller.

Top Ten Taxpayers

The table below shows the property owners with the highest taxable values in all Project Areas combined for the current Fiscal Year.

Table 3
Redevelopment Agency of the City of Oakland
(All Project Areas Combined)
Top Ten Taxpayers
Fiscal Year 2010-11
(\$ in thousands)

Property Owner	Project Area	Secured Taxable Value [1]	Unsecured Taxable Value	Total Taxable Value	% of Total Taxable Value	% of Total Incremental Value	Type of Business
CIM Oakland Center 21 LP [2]	Central District	\$368,912	\$1,166	\$370,078	2.54%	4.10%	Non-contiguous Commercial Office Buildings
Ports America Outer Harbor Terminal LLC	Army Base	0	299,600	299,600	2.05%	3.32%	Cargo Handling
SSA Terminals LLC	Army Base	0	251,571	251,571	1.72%	2.79%	Cargo Handling
Kaiser Foundation Health Plan Inc. [2]	Central District	168,162	54,735	222,897	1.53%	2.47%	Foundation Administrative Offices/Parking
OCC Venture LLC	Central District	178,663	0	178,663	1.22%	1.98%	Non-contiguous Commercial Office Buildings
Catholic Cathedral Corp. of the East Bay	Central District	144,404	0	144,404	0.99%	1.60%	Taxable Church Facilities
1800 Harrison Foundation	Central District	121,643	0	121,643	0.83%	1.35%	Non-contiguous Commercial Office Buildings
Uptown Housing Partners LP [2]	Central District	0	121,290	121,290	0.83%	1.34%	Residential Possessory Interest
Total Terminals International LLC	Army Base	0	120,287	120,287	0.82%	1.33%	Cargo Handling
Suncal Oak Knoll LLC [2]	Oak Knoll	113,723	0	113,723	0.78%	1.26%	Vacant Residential Land
Totals		\$1,095,507	\$848,648	\$1,944,155	13.32%	21.53%	

[1] Includes taxable personal property (secured and unsecured assessed value).

[2] This property owner has one or more pending assessment appeals. See "LIMITATIONS ON TAX REVENUES - Property Assessment Appeals" above and "Outstanding Appeals for Reduction of Assessed Valuation" below.

Source: Alameda County Auditor-Controller.

Land Use Summary

The table below sets forth a description of land uses in the Project Areas.

Table 4
Redevelopment Agency of the City of Oakland
(All Project Areas Combined)
Land Use Categories

<u>Category</u>	<u>Parcels</u>	<u>Assessed Value</u>	<u>%</u>
Residential	31,606	\$5,721,807,937	39.20%
Commercial	3,659	4,127,566,333	28.28%
Industrial	1,608	1,802,685,687	12.35%
Institutional	360	189,252,222	1.30%
Recreational	73	21,261,139	0.15%
Vacant	1,756	440,807,936	3.02%
Exempt	1,671	0	0.00%
SBE Non-Unitary Utility	N/A	6,325,485	0.04%
Unsecured	N/A	2,285,462,816	15.66%
Totals:	40,733	14,595,169,555	100.00%

Source: HdL Coren & Cone.

Central District Project Area

Plan Limits. Although the Central District Project Area currently generates the majority of Subordinated Housing Set Aside Revenues, as shown below, the last date to repay debt with tax increment from the Central District Project Area occurs in June 2022. See “-Project Areas Redevelopment Plan Limits,” “-Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage” and “CERTAIN RISKS TO BONDHOLDERS - Structural Risks of Series 2011 Bonds.”

General Description. The Central District Project Area encompasses Oakland's downtown area and consists of 827 acres. This Project Area was formed in 1969 and has been amended several times, including an annexation in 2001 which added 14.86 acres of land to this Project Area.

The project area encompasses approximately 250 city blocks of office, retail, commercial and residential uses. It contains nearly 40 major office buildings of over 30,000 square feet each, with approximately 7,400,000 total square feet of rented and rentable space. The project area is also the focus of the City of Oakland's effort to construct high-density residential units. The downtown area is served by Bay Area Rapid Transit system, having three stations located within its boundaries, a regional bus system and three major freeways.

Projects within the Central District include:

1. Residential Projects, particularly completing Citywalk (252 residential units and 3,000 square feet of retail);
2. Retail Projects, like 1800 San Pablo a mixed-use project, including up to 200 public parking spaces and Rudy Can't Fail Café, the final tenant for the Fox Theater Project;
3. Façade and Tenant Improvement Programs;

4. Infrastructure Projects as part of the Downtown Streetscape Master Plan – such as the Basement Backfill and Repair Program to facilitate the Old Oakland (Washington St. 7th to 9th Streets), Latham Square, Telegraph Ave, and Broadway streetscape projects;

5. Public Facilities and Parks, like George P. Scotlan Memorial Convention Center, Lincoln Square Park (261-11th Street), Malonga Casquelourd Art Center and Henry J. Kaiser Convention Center; and

6. Public Arts Projects for the BART Entrance at 17th Street, Uptown Parcel 4 Temporary Rotating Art Display and Henry J. Kaiser Memorial Park.

Set forth below is certain information about the Central District Project Area.

Historical Assessed Values – Central District. The table below sets forth historical assessed values of taxable property with the Central District Project Area for the current and past four Fiscal Years.

Table 5
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project
Taxable Values
(By Fiscal Year)

<u>Secured[†]</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Land	\$887,086,998	\$1,001,817,884	\$1,075,791,543	\$1,104,227,823	\$1,008,440,231
Improvements	2,626,809,606	2,960,305,611	3,201,364,132	3,517,961,093	3,206,966,764
Personal Property	32,697,514	41,939,628	29,737,050	33,943,712	36,927,536
Exemptions	<u>(313,144,912)</u>	<u>(357,124,398)</u>	<u>(307,752,849)</u>	<u>(217,224,787)</u>	<u>(222,932,340)</u>
Total Secured	3,233,449,206	3,646,938,725	3,999,139,876	4,438,907,841	4,029,402,191
<u>Unsecured</u>					
Land	52,028,589	36,866,215	32,529,564	49,929,608	53,274,500
Improvements	135,485,256	135,635,846	146,101,059	167,004,832	238,061,406
Personal Property	154,281,170	160,566,753	164,012,034	170,193,788	176,884,530
Exemptions	<u>(3,998,748)</u>	<u>(9,335,981)</u>	<u>(11,266,674)</u>	<u>(9,751,887)</u>	<u>(12,659,097)</u>
Total Unsecured	337,796,267	323,732,833	331,375,983	377,376,341	455,561,339
Grand Total	<u>\$3,571,245,473</u>	<u>\$3,970,671,558</u>	<u>\$4,330,515,859</u>	<u>\$4,816,284,182</u>	<u>\$4,484,963,530</u>

[†] Secured values include state assessed non-unitary utility property.
Source: County of Alameda, HdL Coren & Cone.

Historical and Current Subordinated Housing Set Aside Revenues – Central District. The table below reflects historical Subordinated Housing Set Aside Revenues received from the Central District Project Area for the past four Fiscal Years, and estimated amounts for the current Fiscal Year. No deduction is shown for Central District Senior Bonds debt service because the Agency has historically paid debt service on the Central District Senior Bonds solely from the Tax Revenues derived from the Central District Project Area (exclusive of Housing Set Aside Revenues).

Table 6
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project
Subordinated Housing Set Aside Revenues
(By Fiscal Year)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u> [1]
Tax Revenues [2]	\$43,281,540	\$48,829,988	\$51,714,097	\$57,605,464	\$51,263,904
20% Housing Set-Aside [3]	8,656,308	9,765,998	10,342,819	11,521,093	10,252,781
Actual Reduction for Central District Senior Bonds Debt Service [3]	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Subordinated Housing Set Aside Revenues	\$8,656,308	\$9,765,998	\$10,342,819	\$11,521,093	\$10,252,781

[1] Estimated.

[2] Equal to revenues allocated to the Agency, calculated as 1% of the total Assessed Values over Base Year Values, less County administration fees.

[3] The Agency has historically paid debt service on the Central District Senior Bonds solely from the Tax Revenues derived from the Central District Project Area (exclusive of Housing Set Aside Revenues) and anticipates doing so in the future. See "Security and Sources of Payment for the Series 2011 Bonds—General," "—Low and Moderate Income Housing Fund" and "—Outstanding Senior Debt."

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

Largest Taxpayers – Central District. The table below presents a summary of the ten largest taxpayers by assessed valuation in the Central District Project Area, and the percentage of each to the total assessed valuation of the Central District Project Area for the 2010-11 Fiscal Year.

Table 7
Redevelopment Agency of the City of Oakland
Central District Redevelopment Project
Ten Largest Taxpayers
(Fiscal Year 2010-11)

<u>Taxpayer</u>	<u>Number of Parcels Owned</u>	<u>Type of Business</u>	<u>Total Assessed Value [1]</u>	<u>Percent of Redevelopment Project Area Assessed Valuation</u>
CIM Oakland Center 21 LP [2]	3	Non-contiguous Commercial Office Buildings	\$295,777,510	6.59%
Kaiser Foundation Health Plan Inc. [2]	5	Foundation Administrative Offices/Parking	195,455,883	4.36%
OCC Venture LLC	9	Non-contiguous Commercial Office Buildings	178,662,909	3.98%
Catholic Cathedral Corp. of the East Bay	1	Taxable Church Facilities	144,403,733	3.22%
1800 Harrison Foundation	1	Non-contiguous Commercial Office Buildings	121,642,954	2.71%
Uptown Housing Partners LP [2]	1	Residential Possessory Interest	121,290,059	2.70%
Clorox Company [2]	3	Commercial Office Buildings	100,225,365	2.23%
555 Twelfth Street Venture LLC	1	Commercial Office Buildings	94,511,390	2.11%
Essex Portfolio LP [2]	1	Multifamily Residential	62,871,835	1.40%
William Allegro LLC	3	Multifamily Residential	58,112,630	1.30%
Subtotal Top Ten:	28		\$1,372,954,268	30.61%
Project Area Total:			\$4,484,963,530	

[1] Column totals do not sum due to independent rounding.

[2] This property owner has one or more pending assessment appeals. See "LIMITATIONS ON TAX REVENUES - Property Assessment Appeals" above and "– Outstanding Appeals for Reduction of Assessed Valuation" below.

Source: County of Alameda; HdL Coren & Cone.

Summary of Project Areas Other Than Central District Project Area

As shown below, the last date to repay debt with tax increment from the Central District Project Area occurs in June 2022. See “-Project Areas Redevelopment Plan Limits,” “-Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage” and “CERTAIN RISKS TO BONDHOLDERS - Structural Risks of Series 2011 Bonds.” In addition, the redevelopment plan for the Acorn Project Area expires on January 1, 2012.

The tables below show a land use summary and top ten property owners for the Project Areas other than the Central District Project Area and Acorn Project Area that will still be active after June 2022.

Table 8
Redevelopment Agency of the City of Oakland
All Project Areas Excluding Central District and Acorn
Land Use Categories

<u>Category</u>	<u>Parcels</u>	<u>Assessed Value</u>	<u>%</u>
Residential	27,542	\$4,394,164,748	44.00%
Commercial	2,377	1,795,613,094	17.98%
Industrial	1,431	1,564,823,272	15.67%
Institutional	324	39,192,177	0.39%
Recreational	23	10,598,852	0.11%
Vacant	1,625	367,702,953	3.68%
Exempt	1,444	0	0.00%
SBE Non-Unitary Utility	N/A	4,779,509	0.05%
Unsecured	N/A	1,810,484,152	18.13%
Totals:	34,766	\$9,987,358,757	100.00%

Source: HdL Coren & Cone.

Table 9
Redevelopment Agency of the City of Oakland
All Project Areas Excluding Central District and Acorn
Top Ten Taxpayers
Fiscal Year 2010-11
(\$ in thousands)

Property Owner	Project Area	Secured Taxable Value [1]	Unsecured Taxable Value	Total Taxable Value	% of Total Taxable Value	% of Total Incremental Value	Type of Business
Ports America Outer Harbor Terminal LLC	Army Base	\$ 0	\$299,600	\$299,600	2.05%	3.32%	Cargo Handling
SSA Terminals LLC	Army Base		251,571	251,571	1.72%	2.79%	Cargo Handling
Total Terminals International LLC	Army Base	0	120,287	120,287	0.82%	1.33%	Cargo Handling
Suncal Oak Knoll LLC [2]	Oak Knoll	113,723	0	113,723	0.78%	1.26%	Vacant Residential Land
Federal Express [2]	Coliseum		89,639	89,639	0.61%	0.99%	Package Handling
Oakland-Alameda Coliseum Authority	Coliseum	0	77,427	77,427	0.53%	0.86%	Sports Arena Authority
Owens Brockway Glass Container Inc. [2]	Coliseum	77,070	0	77,070	0.53%	0.85%	Glass Container Manufacturing
LBA Riv-Co V LLC (Zhong Technologies) [2]	Coliseum	56,206	0	56,206	0.39%	0.62%	Broadband Technology
Eagle Marine Services Limited	Army Base	0	53,582	53,582	0.37%	0.59%	Shipping Services
American President Line	Army Base	0	48,170	48,170	0.33%	0.53%	Passenger Cruise Line
Totals		\$246,999	\$940,276	\$1,187,275	8.13%	13.15%	

[1] Includes taxable personal property (secured and unsecured assessed value).

[2] This property owner has one or more pending assessment appeals. See "LIMITATIONS ON TAX REVENUES - Property Assessment Appeals" above and "Outstanding Appeals for Reduction of Assessed Valuation" below.

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

Coliseum

Created in 1995, this Project Area, in terms of acreage, is the largest Project Area, encompassing approximately 10 square miles or approximately 6,500 acres.

The Agency is actively engaged in redeveloping commercial areas in close proximity to the Oakland International Airport and Oakland Coliseum and Oracle Arena. The Coliseum is located next to the Oakland International Airport and is centrally located for retail, business parks, entertainment and recreational development opportunities.

The Project Area features portions of the Oakland International Airport; the Coliseum and Arena; and major commercial, industrial, manufacturing and warehouse and distribution centers. The Project Area is home to a multi-modal transportation hub and includes: both the Coliseum and Fruitvale BART stations; Union Pacific Railroad main and freight lines; multiple AC Transit bus routes; the proposed Oakland Airport Connector and the Oakland Coliseum Intercity Rail Platform (AMTRAK Capitol Corridor); and major arterials, including Interstate 880, Hegenberger Road, International Blvd., and San Leandro Street.

Development projects within the Project Area include: the Coliseum Transit Village, a mixed use, transit oriented development project in the area of the Coliseum BART Station area; Lion Creek Crossings (formerly Coliseum Gardens), a 382-unit mixed income housing development under construction by the Oakland Housing Authority; and the 21,000 square-foot 81st Avenue Branch Library which is Oakland's largest branch library. Other activities in the Project Area include: an active land acquisition program; a strategic streetscape/infrastructure investment program and both a façade and tenant improvement program along International Boulevard between 23rd Avenue to the City of San Leandro border.

Central City East

This Project Area was formed in 2003 and encompasses portions of the Eastlake, Fruitvale, Central East Oakland, and Elmhurst neighborhoods that make up central and eastern Oakland. The Project Area starts along the eastern edge of Lake Merritt and extends outwards to the City of San Leandro border covering 3,339 acres. The Project Area is primarily 85% residential with commercial areas along MacArthur and Foothill Boulevards. In addition, a small peninsula of industrial uses lies along Embarcadero just west of the Nimitz (I-880) Freeway.

Activities in this Project Area include: the Oak to Ninth Project, which is a master planned waterfront community development intended to include up to 3,100 residential units; Foothill Square retail shopping center; several Notice of Development Opportunity catalyst sites; numerous public facility projects such as the brand new Fire Station 18; various parks and libraries; and an extensive streetscape/infrastructure public facilities investment program.

Oakland Army Base

Formed in 2000, this Project Area is a key element of the Agency's strategy for revitalizing the western portion of the City of Oakland. The Project Area comprises the 425-acre former Oakland Army Base, plus adjacent areas, totaling an approximately 1800-acre Project Area.

Along with the former Army Base property, the Project Area includes two non-Base areas: (1) the Port of Oakland maritime area west and south of the Base, including the existing marine terminal facilities and related infrastructure along the Outer Harbor and Inner Harbor channels, as well as the former Naval Fleet and Industrial Supply Center Oakland ("FISCO") land located between and adjacent to the Port's Outer Harbor and Middle Harbor terminal

facilities; and (2) an area along the Oakland Army Base's eastern boundary roughly between the realigned 1-880 freeway and Wood Street, including the former Oakland Amtrak 16th Street Station. The Project Area is generally bounded by Wood Street, and the Oakland Inner, Middle and Outer Harbors of the Port of Oakland.

In August 2003, ownership of the Base was transferred from the U.S. Government to the Oakland Base Reuse Authority ("OBRA"). OBRA engaged in numerous activities, including conducting of environmental studies and regulatory activities necessary for development to occur. In August 2006, the Oakland Redevelopment Agency and the Port of Oakland assumed lead roles in shepherding development of the Base to realize the benefits anticipated for the Project. Certain portions of the Base site are occupied by a variety of tenants while pre-development activity occurs.

Proposed objectives of the Agency in this Project Area, include job generation through expanded business opportunities and services; increased public access to and along the Oakland waterfront; and improved efficiency of Port operations. Currently, the Agency is in an exclusive negotiating agreement with AMB Property Corporation and California Capital Group to master plan and develop infrastructure for the entire site, including the Port of Oakland's 220 acres. Commercial development contemplated on Agency property includes warehousing and other logistics operations to serve the Port, as well as R & D, truck services, recycling and other industrial uses.

Broadway/MacArthur/San Pablo

The Broadway/MacArthur/San Pablo Redevelopment Area, formed in 2000, consists of two distinct areas in North Oakland and is comprised of 676 acres. The Broadway/MacArthur sub-area incorporates Broadway's Auto Row district 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.

Key elements of the Redevelopment Plan include encouraging in-fill development and supporting 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 their five-year implementation plan, including development of the MacArthur Transit Village, which is currently being developed jointly with BART and incorporates a mix of high-density residential units, retail establishments and community space, all adjacent to a BART station. Additional objectives include a facade improvement plan, which offers matching grants for property owners to remodel and improve the appearance of the exterior of their properties; design services and streetscape and pedestrian improvements on Telegraph Avenue, 40th Street, West MacArthur Boulevard, and San Pablo Avenue; and Neighborhood Project Initiative projects.

West Oakland

Created in 2003, this Project Area is comprised of 1,565 acres and is located in the western part of the City roughly paralleling the I-880 freeway corridor.

Current activities include the development of a "Main Street" along a major commercial corridor, with the planned result being a transformation of the area into an economically viable and sustainable commercial center; the development of the West Oakland Transit Village, consisting of the development of residential structures, mixed use developments and commercial structures with ground floor retail space in the neighborhood surrounding the West Oakland BART Station and a commercial facade improvement program. The transit village is being developed in cooperation with the City, the Oakland Housing Authority and BART.

Projects within the West Oakland Project Area include: Phase I construction of 7th Street Streetscape and complete Phase II construction documents for 7th Street; Peralta and Martin Luther King Jr. Way streetscape master plan; construct the West Oakland Teen Center; complete West Oakland Area Plan and EIR and coordinate with the Oakland Army Base planning and development efforts; negotiate and acquire key opportunity sites around West Oakland BART station for West Oakland Transit Village and evaluate other opportunity sites for acquisition and development; manage façade and tenant improvement projects; and coordinate Neighborhood Project Initiative projects.

Oak Center

Formed in 1965, Oak Center Project Area is a 56-block, 30-acre residential community in West Oakland, adjacent to downtown and the Acorn Project, mainly composed of Victorian structures. These turn-of-the-century buildings were preserved through multiple efforts and a variety of financing techniques. In order to enhance development, the City council voted to make Oak Center a Historical District in July 2003. The redevelopment plan for this Project Area has been amended twice since 1965 to incorporate financial limitations, including those imposed by AB 1290. With the exception of a few parcels that remain to be developed this Project Area is complete.

This Project Area has ceased to collect tax increment.

Acorn

Formed in 1961, the Acorn Redevelopment Project Area in West Oakland covers 25 acres of land on 14 city blocks. It lies 10 blocks from Oakland's downtown area, close to major employment centers in Oakland and San Francisco, with good public transportation access to BART and AC Transit. The area is approximately half industrial and half residential and has been redeveloped fully in accordance with the original redevelopment plan.

Recent projects in Acorn include: the refurbishment and redesign of 293 rental units and 83 single-family houses; and redevelopment and releasing of the Jack London Gateway Shopping Center (formerly the Acorn Shopping Center). Current activities include securing commercial tenants for the vacant space and build-to-suit pad at Jack London Gateway, and providing façade and tenant improvement grants for vacant buildings on 7th Street.

This Project Area will cease to collect tax increment starting in Fiscal Year 2011-12.

Stanford/Adeline

Formed in 1973, this Project Area includes an area of four blocks in North Oakland where three major streets come together. During the late 1970's, the incompatible industrial and commercial areas were removed and replaced with open space. In addition, the confusing interchange of Stanford and Adeline Streets was realigned to make the neighborhood quieter and safer. The Stanford/Adeline Project was completed in 1987.

This Project Area has ceased to collect tax increment.

Oak Knoll

Adopted in 1998 the Oak Knoll Project Area, a 183-acre site, is located in the Oakland hills and is the site of the former Naval Medical Center-Oakland, which served as the Navy's East Bay medical center from 1942 until decommissioning in 1996.

The principal purpose of this redevelopment project is to improve residential developments and retail establishments. In March 2006, SunCal Oak Knoll LLC purchased 167 acres of the Oak Knoll site from the Department of the Navy for \$100,500,000. Intensive master development activities occurred until October 2008, when Lehman Brothers, the primary investor in the Oak Knoll project, declared bankruptcy. The Oak Knoll project is currently dormant, with the exception of building demolition and security of the site.

In August 2005, the Agency authorized the preparation of Amendments to the Central City East Redevelopment Plan and the Oak Knoll Redevelopment Project Area to merge these two Project Areas Central City East and Oak Knoll Project Areas. The Agency Board adopted the merger in April 2006.

Project Areas Redevelopment Plan Limits

The table below provides plan limitation and other summary information regarding each Project Area. The issuance of the Series 2011 Bonds will not cause the Agency to exceed any of the bonded indebtedness limits shown below.

Table 10
Redevelopment Agency of the City of Oakland
Applicable Redevelopment Plan Limits

Project Area	Plan Expiration	Last Date to Incur New Debt	Last Date to Repay Debt with Tax Increment	Tax Increment Limit	Tax Increment Collected Through 2009-10	Bonded Indebtedness Limit ⁽³⁾
Central District						
Central District (original area)	June 12, 2012	Eliminated	June 12, 2022	\$1,348,862,000	\$786,126,324	\$100 million ⁽³⁾
Central District 2002 Annex	July 24, 2032	July 24, 2021	July 24, 2047	No Limit	N/A	N/A
Coliseum						\$300 million ⁽⁴⁾
Coliseum (original area)	July 25, 2027	July 25, 2015	July 25, 2042	No Limit	N/A	N/A
Coliseum 1998 Annex	July 29, 2028	July 29, 2017	July 29, 2043	No Limit	N/A	N/A
Central City East	July 29, 2033	July 29, 2023	July 29, 2048	No Limit	N/A	\$2.3 billion
Oakland Army Base ⁽²⁾	June 30, 2033	June 30, 2022	June 30, 2048	506,400,000	31,248,109	None
Broadway/MacArthur/San Pablo	July 25, 2030	July 25, 2020	July 25, 2045	No Limit	N/A	\$100 million
West Oakland	Nov. 18, 2033	Nov. 18, 2023	Nov. 18, 2048	No Limit	N/A	\$640 million
Oak Center	January 1, 2012	January 1, 2004 ⁽¹⁾	January 1, 2022	12,572,000	12,572,000	N/A
Acorn	January 1, 2012	January 1, 2004 ⁽¹⁾	January 1, 2022	30,000,000	27,956,436	N/A
Stanford/Adeline	April 10, 2016	January 1, 2004 ⁽¹⁾	April 10, 2026	1,625,000	Unavailable	N/A
Oak Knoll ⁽²⁾	January 21, 2040	January 21, 2029	January 21, 2055	1,500,000,000	3,386,779	\$400 million

(1) Acorn, Oak Center and Stanford/Adeline Projects have been amended to provide for issuance of new indebtedness after January 1, 2004 for low and moderate income housing purposes only.

(2) As military base closure projects, Oak Knoll and Oakland Army Base are subject to the time limits of Chapter 942 only after a fiscal year within which a total of \$100,000 in tax revenue is allocated. Oakland Army Base reached this threshold in Fiscal Year 2003-04, and Oak Knoll reached this threshold in Fiscal Year 2008-09.

(3) Limit applies only to the 1982 amendment area (which is not separately shown in this table or tracked by the Agency), not to the original project area or the 2002 annexation.

(4) Represents the combined limit applicable to the original project area and the 1998 amendment area.

Source: The Agency; HdL Coren & Cone.

Outstanding Appeals for Reduction of Assessed Valuation

General. Property taxable values determined by the County Assessor may be subject to an appeal by property owners. Assessment appeals are annually filed with the County Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the Assessor's original taxable value and a tax refund to the property owner. The reduction in future Project taxable values affects all taxing entities, including the Agency. It has generally been the County's policy to hold redevelopment agencies harmless from tax refunds due to assessment appeals. Therefore, the only risk to the Agency from appeals is the reduction in assessed value and future tax increment. There is no assurance the County will continue this practice in the event of major appeals.

Current Appeals History. The Agency and HdL Coren & Cone, the Fiscal Consultant, researched the status of assessment appeals filed by all property owners in the Project Areas based upon the latest information available from the County assessment appeals database.

Combined Project Areas. A total of 1,263 appeals are pending in all of the Project Areas. Since fiscal year 2006-07, 2,332 appeals have been filed, of which 1,069 appeals have been resolved, with a reduction of value totaling \$382,810,618 (or 21.91%) of assessed value that was under appeal.

Central District Project Areas. In the Central District Project Area, which accounts for 46.4% of the incremental assessed value of all Project Areas, since Fiscal Year 2006-07, 806 appeals were filed with 353 (or 87.16%) being successful with an average reduction in assessed value of approximately 17.81%.

Summary of Current Appeals by Project Area. The table below summarizes assessment appeals information for each active Project Area.

	Pending Appeals	Value Under Appeal	Owner's Opinion of Value	Maximum Potential Loss	Maximum Potential Percentage Loss
Acorn	5	\$19,499,020	\$12,622,619	\$6,876,401	35.27%
Central District	401	1,328,885,816	828,253,979	500,631,837	37.67%
Coliseum	392	1,110,521,085	570,274,630	540,246,455	48.65%
Oakland Army Base	28	224,722,990	125,790,828	98,932,162	44.02%
Broadway/MacArthur/San Pablo	67	105,238,433	54,249,280	50,989,153	48.45%
Central City East	231	296,205,989	171,785,371	124,420,618	42.00%
West Oakland	138	196,953,593	115,585,212	81,368,381	41.31%
Oak Knoll	1	113,227,961	48,000,000	65,227,961	57.61%
	1,263	\$3,395,254,887	\$1,926,561,919	\$1,468,692,968	43.26%

Projected 2011-12 Assessed Value Reductions. The Fiscal Consultant estimates that the assessment appeals currently pending will result in a reduction in the projected 2011-12 assessed value of \$522.6 million or approximately 3.59% of the projected assessed value for 2011-12.

Risks Associated with Successful Appeals. Under the County's current method of allocating tax increment revenues, tax revenues allocated to the Agency are reduced based on taxpayer refunds connected with any successful assessment appeals.

The actual reductions in tax increment and Project Area taxable values for future appeals could be significant. Resolution of appeals are determined by a number of factors

including vacancy and rental rates, circumstances of hardship and other real estate comparables, all of which are unique to the individual assessment.

See "CERTAIN RISKS TO BONDHOLDERS."

Tax Rates

The tax rates that are applied to incremental taxable values consist of two components: the General Tax Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate which is levied to pay voter approved indebtedness. The basic levy tax rate may not exceed one percent (\$1.00 of \$100 taxable value) in accordance with Article XIII A of the California Constitution.

The Override Tax Rates can decline each year as increasing property values reduce the Override Rate needed to be levied by the taxing entities to meet voter approved obligations and as voter approved debt is eventually retired over time. An amendment to the Constitution prohibits redevelopment agencies from receiving taxes generated by new Override Tax Rates for debt approved after December 31, 1988.

The Fiscal Year 2010-11 secured tax rates applicable to all Tax Rate Areas within the combined Project Areas are set forth below.

General Levy		1.0000%
East Bay Regional Park	(2019-20)	0.0084
City of Oakland	(2025-26)	0.1575
EBMUD Special Districts	(2014-15)	<u>0.0067</u>
Combined Tax Rate		1.1726

Source: County of Alameda; HdL Coren & Cone.

Estimated Subordinated Housing Set Aside Revenues and Debt Service Coverage

The table on the following page sets forth a projection of future Subordinated Housing Set Aside Revenues for each Project Area, which are based on the following assumptions:

- Assessed values for Fiscal Year 2011-12 are projected to increase by 0.753%, the inflationary adjustment factor adopted by State Board of Equalization.
- Assessed values for Fiscal Year 2012-13 and subsequent Fiscal Years are projected to increase by 2.00%.
- Future tax rates are projected to decline to 1.1575% over five years and remain at that amount until all override tax revenues are eliminated in 2026.
- Projected Fiscal Year 2011-12 assessed value is assumed to decrease by \$522.6 million (or approximately 3.59% of the projected assessed value for 2011-12), based on pending appeals and transfers of ownership identified by the Fiscal Consultant.

The Subordinated Housing Set Aside Revenues for the Acorn and Oak Center Project Areas reflect the termination of such revenues due to those Project Areas reaching their respective tax increment limits assuming 2% annual growth in accordance with the Fiscal Consultant's projections. The Central District and Stanford/Adeline Project Areas reach their last date to repay debt in the respective years shown, which are prior to maturity of the Series 2011 Bonds. See "Project Areas Redevelopment Plan Limits" above.

Table 11
Redevelopment Agency of the City of Oakland
Combined Redevelopment Project Areas
Projected Housing Set-Aside Revenue

	Central District ⁽¹⁾	Coliseum	Central City East	Oakland Army Base	Broadway/ MacArthur/ San Pablo	West Oakland	Oak Center ⁽²⁾	Acorn ⁽²⁾	Stanford/ Adeline ⁽²⁾	Oak Knoll	Totals for All Project Areas
2010-11	\$10,252,781	\$4,953,596	\$2,073,626	\$1,834,245	\$982,180	\$990,994	\$0	\$258,244	\$0	\$268,253	\$21,613,919
2011-12	9,886,474	4,428,970	2,077,013	1,782,362	986,098	948,546	0	0	0	216,514	20,325,977
2012-13	10,069,045	4,577,685	2,206,625	1,823,608	1,016,692	1,009,328	0	0	0	220,583	20,923,566
2013-14	10,255,035	4,729,119	2,338,571	1,865,619	1,047,847	1,071,205	0	0	0	224,729	21,532,126
2014-15	10,444,511	4,883,323	2,472,895	1,908,411	1,079,574	1,134,196	0	0	0	228,952	22,151,863
2015-16	10,637,536	5,040,350	2,609,642	1,951,997	1,111,883	1,198,323	0	0	0	233,255	22,782,986
2016-17	10,845,023	5,205,205	2,751,914	1,996,675	1,146,082	1,265,007	0	0	0	237,911	23,447,818
2017-18	11,057,806	5,374,373	2,897,134	2,044,250	1,180,985	1,333,074	0	0	0	242,661	24,130,283
2018-19	11,274,845	5,546,924	3,045,258	2,092,777	1,216,585	1,402,502	0	0	0	247,506	24,826,397
2019-20	11,496,224	5,722,926	3,196,344	2,142,275	1,252,898	1,473,318	0	0	0	252,448	25,536,433
2020-21	11,648,173	5,867,067	3,327,070	2,190,812	1,280,785	1,534,889	0	0	0	255,634	26,104,430
2021-22	7,848,150	6,041,763	3,482,379	2,228,092	1,318,152	1,607,565	0	0	0	260,738	22,786,840
2022-23	243,471	6,227,192	3,641,558	2,280,241	1,356,410	1,682,174	0	0	0	265,944	15,696,992
2023-24	248,512	6,416,330	3,803,921	2,333,433	1,395,433	1,758,276	0	0	0	271,255	16,227,159
2024-25	253,653	6,609,251	3,969,530	2,387,688	1,435,236	1,835,900	0	0	0	276,672	16,767,930
2025-26	258,897	6,806,030	4,138,452	2,443,029	1,475,835	1,915,076	0	0	0	282,197	17,319,516
2026-27	233,961	6,208,665	3,741,474	2,457,486	1,314,002	1,737,389	0	0	0	248,668	15,941,644
2027-28	233,004	6,231,097	3,876,177	2,209,158	1,347,334	1,795,475	0	0	0	253,634	15,945,879
2028-29	237,811	6,411,506	4,031,046	2,259,895	1,384,555	1,868,065	0	0	0	258,699	16,451,579
2029-30	242,715	6,595,523	4,189,013	2,311,647	1,422,522	1,942,106	0	0	0	263,866	16,967,393
2030-31	247,717	6,783,221	4,350,139	2,364,433	1,461,247	2,017,629	0	0	0	269,136	17,493,523
2031-32	252,819	6,974,673	4,514,488	2,418,276	1,500,747	2,094,661	0	0	0	274,512	18,030,176
2032-33	258,023	7,169,953	4,682,123	2,473,195	1,541,037	2,173,235	0	0	0	279,995	18,577,562
2033-34	263,331	7,369,140	4,853,112	2,529,213	1,582,133	2,253,379	0	0	0	285,588	19,135,896
2034-35	268,746	7,572,310	5,027,520	2,586,351	1,624,051	2,335,127	0	0	0	291,292	19,705,396
2035-36	274,268	7,779,543	5,205,416	2,644,631	1,666,807	2,418,510	0	0	0	297,111	20,286,286
2036-37	279,901	7,990,921	5,386,870	2,704,077	1,710,418	2,503,560	0	0	0	303,046	20,878,795
2037-38	285,647	8,206,527	5,571,953	2,764,713	1,754,901	2,590,311	0	0	0	309,100	21,483,153
2038-39	291,508	8,426,445	5,760,738	2,826,561	1,800,274	2,678,798	0	0	0	315,275	22,099,598
2039-40	297,486	8,650,761	5,953,299	2,889,646	1,846,555	2,769,054	0	0	0	321,573	22,728,373
2040-41	303,583	8,879,563	6,149,711	2,953,992	1,893,761	2,861,115	0	0	0	327,998	23,369,723
Totals	130,690,658	199,679,954	121,325,012	71,698,789	43,133,020	56,198,786	0	258,244	0	8,284,746	631,269,208

(1) The Central District Project Area (Original) is currently anticipated to reach its last date to repay debt in 2021-22, which is prior to maturity of the Series 2011 Bonds. See "CERTAIN RISKS TO BONDHOLDERS - Structural Risks of Series 2011 Bonds."

(2) The Subordinated Housing Set Aside Revenues for the Central District, Acorn, Oak Center, Stanford/Adeline Project Areas reflect the termination of such revenues due to those Project Areas reaching their respective tax increment limits assuming 2% annual growth in accordance with the Fiscal Consultant's projections.

Source: HdL Coren and Cone.

The table below shows annual debt service on the Outstanding Parity Bonds and the Series 2011 Bonds (without regard to any optional redemption or special mandatory redemption) and estimated debt service coverage.

Table 12
DEBT SERVICE COVERAGE PROJECTIONS

<u>Bond Year Ending September 1</u>	<u>Subordinated Housing Set Aside Revenues</u>	<u>Parity Bonds Debt Service</u>	<u>Series 2011 Bonds Debt Service</u>	<u>Total Parity Debt Service</u>	<u>Estimated Coverage [1]</u>
2011	\$21,613,919	\$7,505,512	\$ 1,852,416	\$ 9,357,928	2.31x
2012	20,325,977	7,504,848	4,704,738	12,209,586	1.66
2013	20,923,566	7,505,077	5,067,113	12,572,190	1.66
2014	21,532,126	7,505,672	5,425,963	12,931,635	1.67
2015	22,151,863	7,505,880	5,411,400	12,917,280	1.71
2016	22,782,986	7,501,398	5,396,800	12,898,198	1.77
2017	23,447,818	7,501,958	5,396,800	12,898,758	1.82
2018	24,130,283	7,506,208	5,391,675	12,897,883	1.87
2019	24,826,397	7,502,073	5,396,050	12,898,123	1.92
2020	25,536,433	7,506,450	5,393,425	12,899,875	1.98
2021	26,104,430	7,506,695	5,316,425	12,823,120	2.04
2022	22,786,840	7,502,241	5,305,225	12,807,466	1.78
2023	15,696,992	3,773,608	3,023,825	6,797,433	2.31
2024	16,227,159	3,774,840	3,021,225	6,796,065	2.39
2025	16,767,930	3,775,245	3,018,675	6,793,920	2.47
2026	17,319,516	3,774,532	3,020,725	6,795,257	2.55
2027	15,941,644	3,762,410	2,311,475	6,073,885	2.62
2028	15,945,879	3,762,054	2,109,375	5,871,429	2.72
2029	16,451,579	3,764,289	2,108,913	5,873,202	2.80
2030	16,967,393	3,763,523	2,108,450	5,871,973	2.89
2031	17,493,523	3,764,459	2,107,988	5,872,447	2.98
2032	18,030,176	3,761,504	2,112,525	5,874,029	3.07
2033	18,577,562	3,764,363	2,106,600	5,870,963	3.16
2034	19,135,896	3,762,145	2,111,138	5,873,283	3.26
2035	19,705,396	3,764,556	2,105,213	5,869,769	3.36
2036	20,286,286	3,765,705	2,104,750	5,870,455	3.46
2037	20,878,795	0	5,874,288	5,874,288	3.55
2038	21,483,153	0	5,870,100	5,870,100	3.66
2039	22,099,598	0	5,874,000	5,874,000	3.76
2040	22,728,373	0	5,872,288	5,872,288	3.87
2041	23,369,723	0	5,872,188	5,872,188	3.98
Totals	\$631,269,208	\$142,787,242	\$122,791,771	\$265,579,016	

[1] Represents Subordinated Housing Set Aside Revenues divided by the sum of Total Parity Debt Service.
Source: The Agency; HdL Coren & Cone.

THE AGENCY

Members, Authority and Personnel

Activation of the Agency. The Redevelopment Agency of the City of Oakland was activated on October 11, 1956, by action of the Oakland City Council under the Redevelopment Law.

Effective December 31, 1975, the City Council declared itself to be the governing board of the Agency.

Agency Staff. 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.

Brief biographies of certain Agency and City staff members are set forth below.

Jean Quan serves as Mayor and Chief Executive Officer of the Agency. She was elected to this position in November 2010.

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, 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.

Personnel and Pension Costs. 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.

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 eliminate blight, 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 a 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 applicable 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.

Audited Financial Statements

The Agency's audited financial statements for the Fiscal Year ending June 30, 2010, are attached as APPENDIX B.

The Agency's audited financial statements for the Fiscal Year ending June 30, 2010 have been audited by Macias, Gini O'Connell LLP, independent certified public accountants (the "Auditor"), as stated in the Auditor's report.

The Agency has not requested the Auditor's consent to the inclusion of its report in this Official Statement and the Auditor has not undertaken to update the financial statements included as APPENDIX B or their report. The Auditor expresses no opinion with respect to any event subsequent to its report.

TAX MATTERS

General. The interest on the Series 2011 Bonds is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation ("Bond Counsel"), San Francisco, California, interest on the Series 2011 Bonds is exempt from California personal income taxes. The proposed form of opinion of Bond Counsel with respect to the Series 2011 Bonds to be delivered on the date of issuance of the Series 2011 Bonds is set forth in APPENDIX D.

Owners of the Series 2011 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011 Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Series 2011 Bonds other than as expressly described above.

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the IRS, Bond Counsel informs owners of the Series 2011 Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) (a) was not intended or written to be used and cannot be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer and (b) was written to support the promotion or marketing of the Series 2011 Bonds. Each taxpayer should seek advice based on that taxpayer's particular circumstances from an independent tax advisor.

CERTAIN LEGAL MATTERS

The validity of the Series 2011 Bonds and certain other legal matters are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX D to this Official Statement, and the final opinion will be made available to the owners of the Series 2011 Bonds at the time of delivery of the Series 2011 Bonds.

Certain legal matters will be passed upon for the Agency by Jones Hall, A Professional Law Corporation, as Disclosure Counsel to the Agency, and by the City Attorney of the City, as Agency Counsel. Certain legal matters will be passed upon for the Underwriters by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation that is contingent upon the sale and delivery of the Series 2011 Bonds.

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 2011 Bonds, the corporate existence of the Agency, or the title of the officers of the agency who will execute the Series 2011 Bonds as to their respective offices. The Agency will furnish to Underwriters of the Series 2011 Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2011 Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted for the benefit of owners of the Series 2011 Bonds to provide certain financial information and operating data relating to the Agency by not later than nine months after the end of the Agency's fiscal year, or March 31 each year based on the Agency's current fiscal year end of June 30 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material.

These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report or the notices of material events by the District is set forth in APPENDIX E.

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.

The Agency has historically prepared its Annual Reports for its various bond issues as part of an Annual Financial Information Statement prepared jointly with the City and expects to continue that practice with respect to the Series 2011 Bonds.

UNDERWRITING

The Series 2011 Bonds are being purchased through negotiation by E. J. De La Rosa & Co., Inc., as representative of itself and Stone & Youngberg LLC (collectively, the "Underwriters") at a price equal to \$44,840,778.25 which represents the principal amount of the Series 2011 Bonds, less original issue discount of \$1,830,503.75, and less an Underwriters' discount of \$308,718.00. The initial public offering prices of the Series 2011 Bonds may be changed from time to time by the Underwriters. The Purchase Contract for the Series 2011 Bonds between the Agency and the Underwriters provides that the Underwriters will purchase all the Series 2011 Bonds from the Agency if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

RATINGS

Moody's Investors Service ("Moody's") has assigned its municipal bond rating of "A2" to the Series 2011 Bonds, and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P"), has assigned its municipal bond rating of "A" to the Series 2011 Bonds.

These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency.

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The Agency has provided certain

additional information and materials to the rating agencies (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by the respective rating agency, if in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Series 2011 Bonds may have an adverse effect on the market price or marketability of the Series 2011 Bonds.

EXECUTION

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
 Dan Lindheim
 Agency Administrator

APPENDIX A
ECONOMIC AND DEMOGRAPHIC INFORMATION CONCERNING
THE CITY OF OAKLAND
(As of February 2011)

The following information concerning the City of Oakland and surrounding areas are included only for the purpose of supplying general information regarding the areas in and surrounding the Project Areas. The Series 2011A-T Bonds are not a debt of the City, the County, the State or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

GENERAL INFORMATION

Overview

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

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland (the “Port”). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a City-wide basis, governs the City. The Mayor is not a member of the City Council but is the City’s chief executive officer. The current Mayor, Jean Quan, is serving her first term, which expires in January 2015. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Courtney A. Ruby, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2013.

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

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

ECONOMIC HIGHLIGHTS

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

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

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

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

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. This was part of the 10K downtown housing initiative, an effort to attract 10,000 new residents to the areas surrounding the Central District. Since 1999, a total of 42 projects with 4,274 units have been completed under the 10K and 3 projects with 371 units are under construction.
- 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 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: 1) a parking structure with 1,086 parking spaces and 30,000 square feet of retail; and 2) a retail and office building of 190,000 square feet.
- After a two-year, \$58-million renovation, the Oakland Museum of California welcomed back the public in May 2010 with a dramatically different presentation of its renowned collections of California art and history. Created in 1969 as a "museum for the people," OMCA has revived its founding vision by introducing innovative exhibitions and programming, setting a new paradigm for the way a museum engages the public.

OMCA's transformation is enhanced by the renovation and expansion of its iconic building. Renovation and reopening of the Natural Sciences Gallery is scheduled for 2012.

Major 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) 14th Street Apartments at Central 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 16th 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 a 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 \$1 million in 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 Alameda County Medical Center has begun its \$688 million Highland Hospital Tower Replacement Project. The new 9-story, 169 bed Acute Care Tower will house inpatient, maternal and child support services when complete in 2017.
- The MacArthur Transit Village project will include 624 housing units (108 of which will be affordable) and 42,500 square feet of retail. The first phase of this project, which includes the replacement BART parking garage and public infrastructure, will start construction in 2011. The first phase of housing development is anticipated to start construction in early 2012.
- The 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. Adjacent to the Coliseum Transit Village site, Lion Creek Crossings, a new development with nearly 600 affordable rental units will see its final 72 units completed in 2012.
- The \$484 million Oakland Airport Connector broke ground in October 2010. By mid-2014, the train-to-plane connector will offer swift, reliable world-class service whisking travelers from the Coliseum BART station to the Oakland International Airport in less than 9 minutes. The Connector will replace the existing AirBART buses.
- The Courthouse Condominiums will include 142 new housing units at 29th and Telegraph. The developer has received their building permits to begin construction and

has demolished the existing building on the site and issued building permits. 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 2012. 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 illustrates the City's population as well as the population of Alameda County and the State of California.

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

Year	City	County	State
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000
2006	411,755	1,510,303	37,086,191
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 2001 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 compares estimates of the labor force, civilian employment and unemployment for City residents, State residents and United States residents from 2005 through 2010.

Table A-2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2005 Through 2010

<u>Year and Area</u>	<u>Labor Force</u>	<u>Civilian Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2005				
City	192,900	177,600	15,300	7.9
State	17,695,600	16,746,900	948,700	5.4
United States	149,320,000	141,730,000	7,591,000	5.1
2006				
City	192,900	179,600	13,300	6.9
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
City	195,700	181,200	14,500	7.4
State	18,188,100	17,208,900	979,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6
2008				
City	200,300	181,200	19,100	9.5
State	18,391,800	17,059,600	1,332,300	7.2
United States	154,287,000	145,362,000	8,924,000	5.8
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
2010				
City	203,509	168,427	35,100	17.3
State	18,228,545	15,983,691	2,274,855	12.5
United States	153,925,000	139,038,000	14,887,000	9.7

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

The following table shows the major employers in the County as of January 2011, listed in alphabetical order.

**Table A-4
County of Alameda
Major Employers (Listed alphabetically)
January 2011**

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff Dept	Pleasanton	Sheriff
Alameda County Sheriff's Office	Oakland	Sheriff
Alta Bates Medical Center Inc.	Berkeley	Hospitals
Bayer Corp.	Berkeley	Drug Millers (MFRS)
Berkeley Coin & Stamp	Berkeley	Coin Dealers Supplies & ETC.
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Children's Hospital & Research	Oakland	Hospitals
Clorox Company	Oakland	Specialty Cng Plshng/Sanitation (MFRS)
Clorox Company	Pleasanton	Specialty Cng Plshng/Sanitation (MFRS)
East Bay Water	Oakland	Transit Lines
EMC Corp	Pleasanton	Computer Storage Devices (MFRS)
Fairmont Hospital	San Leandro	Hospitals
Kaiser Permanente Hospital	Hayward	Hospitals
Kaiser Permanente Medical Center	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore National Lab	Livermore	Laboratories-Testing
New United Motor Manufacturing	Fremont	Automobile & Truck Brokers (Whol)
Residential & Student Svc. Prog.	Berkeley	Giftwares-Manufacturers
Transportation Dept-California	Oakland	State Government-Transportation Programs
UC Berkeley Extension	Berkeley	Schools-Universities & Colleges Academic
University of CA-Berkeley	Berkeley	Schools-Universities & Colleges Academic
Washington Hospital Healthcare	Fremont	Hospitals
Waste Management Inc.	Oakland	County Government-Environmental Programs

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

Principal Property Taxpayers

A summary of the Fiscal Year 2010-11 largest secured taxpayers in the City is presented below:

**Table A-5
City of Oakland
Largest Local Secured Taxpayers
Fiscal Year 2010-11**

<u>Property Taxpayer</u>	<u>Primary Land Use</u>	<u>Assessed Valuation</u>	<u>% of Total Assessed Valuation ⁽¹⁾</u>
SIC Lakeside Drive LLC	Office Building	\$179,833,447	0.51%
Kaiser Foundation Health Plan Inc.	Office Building	179,203,719	0.50
OCC Venture LLC	Office Building	178,662,909	0.50
CIM Oakland Center 21 LP	Office Buildings	168,979,565	0.48
Oakland Property LLC	Office Building	165,154,080	0.47
CIM Oakland 1Kaiser Plaza LP	Office Building	126,710,589	0.36
1800 Harrison Foundation	Office Building	121,642,954	0.34
Suncal Oak Knoll LLC	Planned Residential	113,477,961	0.61
Clorox Company	Office Building	98,818,392	0.28
555 Twelfth Street Venture LLC	Office Building	94,511,390	0.27
Essex Portfolio LP	Apartments	85,795,666	0.24
KSL Claremont Resort Inc.	Hotel	81,176,177	0.23
Eastmont Oakland Associates LLC	Commercial	77,404,859	0.22
Owens Brockway Glass Container	Industrial	77,069,716	0.22
CIM Oakland 1901 Harrison LP	Office Building	67,340,025	0.19
Catellus Development Corporation	Industrial	63,900,654	0.18
365 Jack London Square LLC	Industrial	62,625,861	0.18
Legacy Landing LLC	Apartments	58,450,454	0.16
WM Allegro LLC	Apartments	58,112,630	0.16
Brandywine Operating Partnership	Office Building	<u>57,086,149</u>	<u>0.16</u>
Total		\$2,115,957,197	5.96%

⁽¹⁾ Based on the Assessed Value of \$35,516,015,317.

Source: California Municipal Statistics, Inc.

Commercial Activity

Table A-6
City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2005-2008
(\$ in thousands)

Taxable Retail Sales	2005	2006	2007	2008
Apparel Stores	\$52,853	\$54,090	\$58,448	\$54,558
General Merchandise	148,962	181,926	186,346	194,196
Food Stores	179,294	183,913	203,400	206,448
Eating & Drinking	403,583	433,736	465,224	475,061
Household	72,249	69,353	63,822	77,752
Building Materials	317,662	325,065	285,930	214,103
Auto Dealers and Supplies	512,545	543,896	572,407	407,491
Service Stations	376,643	404,202	513,570	673,009
Other Retail	531,027	481,694	434,795	368,342
SUBTOTAL	2,594,818	2,677,875	2,783,942	2,670,960
All Other Outlets	1,617,919	1,779,513	1,907,058	1,211,502
TOTAL ALL OUTLETS	\$4,212,737	\$4,457,388	\$4,691,000	\$3,882,462

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

Taxable Retail Sales	2009 [†]
Motor Vehicle and Parts Dealers	\$312,956
Home Furnishings and Appliance Stores	131,257
Building Material and Garden Equipment and Supplies	166,595
Food and Beverage Stores	235,529
Gasoline Stations	409,514
Clothing and Clothing Accessories Stores	61,381
General Merchandise Stores	87,274
Food Services and Drinking Places	471,705
Other Retail	294,565
SUBTOTAL	2,170,777
All Other Outlets	1,051,198
TOTAL ALL OUTLETS	\$3,221,975

[†] Most recent data available.

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

Construction Activity

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

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

Year	Residential					Total Residential Valuation	Nonresidential Valuation	Total ⁽¹⁾
	Single Family Units	Single Family Valuation	Multifamily Units	Multifamily Valuation	Value of Alterations/ Additions			
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 ⁽²⁾	126	33,281	642	101,479	66,903	199,663	181,513	381,177

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

⁽²⁾ Most recent data available.

Source: Construction Industry Research Board.

FINANCIAL INFORMATION

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 *et seq.* of the Government Code of the State (the "Government Code"). The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2010-11 on June 22, 2010. The Investment Policy may be revised by the City Council at any time. The City expects to adopt an Investment Policy for Fiscal Year 2011-12 in June of 2011.

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

Summary of Investment Policy (Fiscal Year 2010-11)

<u>Permitted Investment Types</u>	<u>Maximum Investment</u>	<u>Maximum Maturity</u>
U.S. Treasury Bills, Notes & Bonds ⁽¹⁾	20%	5 years
Federal Agencies	None	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	None	360 days
Reverse Repurchase Agreements ⁽²⁾	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit ⁽³⁾	\$250,000	360 days
Local Agency Investment Fund	\$50 million	N/A
Local City / Agency Bonds	None	5 years
State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants	None	5 years
Other Local Agency Bonds	Prudent Person Standard Applies	5 years
Secured Obligations and Agreements	20%	2 years

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

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

⁽³⁾ For deposits over \$250,000, the Certificate of Deposit must be collateralized.

Current Investment Portfolio

In March 2010, Fitch updated its rating criteria of local government investment pools. Fitch affirmed the highest managed fund credit rating of AAA and market risk rating of V1 to the City's Operating Fund Portfolio (attached). The fund volatility rating was revised to V1 from V1+, which does not reflect any change in market risk but is solely as a result of Fitch eliminating V1+ rating from its fund volatility rating scale. The AAA credit rating reflects the highest credit quality based on asset diversification, management strength and operational capabilities. The V1 market risk rating represents the lowest market risk that can be expected with no loss of principal value even in adverse market conditions. Fitch's market risk ratings reflect the rating agency's assessment of relative market risks and total return stability in the portfolio based on analyses of various market indicators such as interest rates, liquidity and leverage risk, if any. As a condition of maintaining these ratings, the City provides monthly information to Fitch for review of the Operating Fund Portfolio activity and holdings.

The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of January 31, 2011. The City's Pooled Operating Portfolio is invested in the Local Agency Investment Fund and other money market funds. As a result, the City may have some indirect exposure to mortgage-backed securities.

Fitch's managed-fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch's market-risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch's managed-fund credit and market-risk ratings are based on information provided to Fitch by the City. Fitch does not verify the

underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

**Table A-8
City of Oakland
Pooled Operating Portfolio
As of January 31, 2011**

Investments	Market Value	Book Value	Percent of Portfolio	Term (Days)	Days to Maturity	360 Day Equivalent	365 Day Equivalent
Federal Agency Issues-Coupon	\$81,883,362.50	\$81,501,965.89	26.73%	1,382	1,082	1.988	2.016
Federal Agency Issues-Discount	95,961,935.00	95,935,727.78	31.46	141	88	0.161	0.164
Money Market	59,110,000.00	59,110,000.00	19.38	1	1	0.142	0.144
Local Agency Investment Funds	49,312,207.47	49,312,207.47	16.17	1	1	0.454	0.460
Certificates of Deposit	99,000.00	99,000.00	0.03	182	140	0.800	0.811
Negotiable CD's	6,000,129.00	6,000,000.00	1.97	102	26	0.110	0.112
Commercial Paper - Discount	<u>12,996,190.00</u>	<u>12,972,731.66</u>	<u>4.25</u>	<u>155</u>	<u>34</u>	<u>0.425</u>	<u>0.431</u>
TOTAL/AVERAGE	\$305,362,823.97	\$304,931,632.80	100.00	423	319	0.704	0.713

Source: City of Oakland, Finance and Management Agency.

Agency Pension Obligation

The Agency pays a portion of the City's personnel and pension costs based upon the time spent on Agency business by specific employees. The amounts contributed by the Agency vary from year to year

The City is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees. The City also maintains two closed pension systems, the Police and Fire Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System ("OMERS"). The Agency does not contribute to PFRS. In addition, the City offers post-retirement healthcare benefits to qualifying retirees.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a closed plan administered by the City, and covers 45 retired employees. On June 20, 2004, the last active OMERS member transferred to PERS. For the fiscal year ended June 30, 2010, the City, in accordance with actuarially determined contribution requirements, did not make contributions to OMERS.

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

In Fiscal Year 2004, the City increased its benefits for police to provide 3.0% of highest salary at age 50. In Fiscal Year 2005, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary per year of employment at

age 55. In Fiscal Year 2005, the City increased its benefits for fire safety members to provide 3.0% of highest salary at age 50.

For 2009-10, the City's annual contribution to PERS was \$94,316,018. The City's unfunded liability with PERS, as of June 30, 2009 was \$306.1 million for the public safety (police and fire) retirement plan, resulting in a 74.4% funded status, and \$371.0 million for the miscellaneous retirement plan, resulting in a 80.2% funded status.

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

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 (Projected)
Miscellaneous Plan	18.55%	17.48%	19.20%	19.55%	19.58%	19.88%
Safety Plan	29.71%	27.70%	27.01%	27.09%	27.88%	28.09%

Source: California Public Employees' Retirement System.

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

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a three-year "smoothing" period.

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

Valuation Date <u>July 1</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded <u>Liability</u>	Funded <u>Status</u>	Annual Covered <u>Payroll</u>	UAAL as % of <u>Payroll</u>
2003	\$631.5	\$454.7	\$176.8	72.0%	\$111.0	159.2%
2004	730.1	529.5	200.6	72.5	115.5	173.8
2005	820.6	602.4	218.2	73.4	122.9	177.6
2006	907.4	678.6	228.8	74.8	124.1	184.3
2007	989.1	757.3	231.8	76.6	127.4	181.9
2008	1,084.4	829.7	254.6	76.5	138.6	183.7
2009	1,194.3	888.2	306.1	74.4	150.3	203.7

Source: California Public Employees' Retirement System

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

<u>Valuation Date</u> <u>July 1</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Unfunded</u> <u>Liability</u>	<u>Funded</u> <u>Status</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>UAAL as</u> <u>% of</u> <u>Payroll</u>
2003	\$1,197.3	\$1,010.7	\$186.7	84.4%	\$207.9	89.8%
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5
2005	1,397.2	1,156.7	240.5	82.8	206.3	116.6
2006	1,507.9	1,250.7	254.2	82.9	217.0	118.6
2007	1,617.2	1,353.8	263.8	83.7	225.7	116.9
2008	1,728.0	1,445.4	282.6	83.6	237.4	119.0
2009	1,876.3	1,505.3	371.0	80.2	224.7	165.1

Source: California Public Employees' Retirement System

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

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

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Annual Cost</u>
2004	\$48.4
2005	87.4
2006	95.0
2007	89.3
2008	97.9
2009	98.2
2010	94.3

Source: City of Oakland Comprehensive Annual Financial Reports.

Other Post-Employment Benefits. The City has three programs in place to pay the partial costs of health insurance premiums for certain classes of retirees from City employment. Retirees meeting certain requirements relating to age and years of service are eligible for health benefits. The health benefits are extended to retirees pursuant to labor agreements between the City and certain of its employee labor unions and in resolutions of the City. Approximately \$14,016,359 was paid on behalf of retirees under these programs for the year ended June 30, 2010.

The City implemented GASB 45 in FY 2008-09 and elected to report a zero net OPEB obligation. As of June 30, 2010, the City's annual required contribution (ARC) for post employment benefits was \$54,495,000. The City paid approximately \$14,016,359 on a pay-as-you-go basis for retirees in a City-sponsored PERS health benefit plan. The net OPEB obligation for the fiscal year ended June 30, 2010 was \$126,237,000.

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APPENDIX B

**REDEVELOPMENT AGENCY AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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CITY OF OAKLAND, CALIFORNIA

REDEVELOPMENT AGENCY

A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND
FOR THE YEAR ENDED JUNE 30, 2010

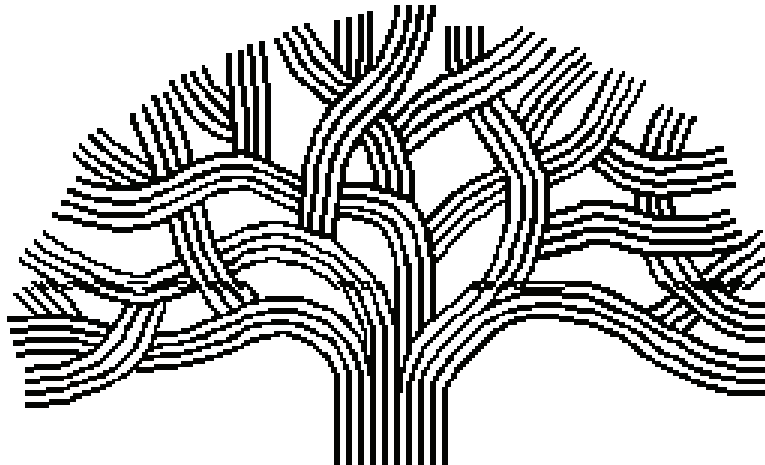
REDEVELOPMENT AGENCY

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, 2010

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

FINANCIAL REPORT

PROJECT TEAM

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

Osborn K. Solitei
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

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Theresa Woo

Accounting Team (GL & ORA)

Erico Parras
David Warner
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
Community & Economic Development Agency

FMA-Treasury Division

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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June 30, 2010

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Independent Auditor's Report

Honorable Mayor and Members of the Council
of the Redevelopment Agency
City of Oakland, California

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, 2010, 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 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, 2010, 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 23, 2010 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 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.

Management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements 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 the 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & Cannel LLP
Certified Public Accountants
Oakland, California

November 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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 \$219.0 million compared to \$253.4 million for the previous fiscal year. This represents a net decrease of \$34.4 million or 13.6 percent compared to previous year. The net change was driven primarily by the revenue shift of \$41.1 million of property tax increment to the Supplemental Education Revenue Augmentation Fund (SERAF).
- For the year ended June 30, 2010, the Agency's governmental fund balances were \$551.9 million compared to \$616.4 million in the previous fiscal year, an decrease of 10.5 percent or \$64.5 million. The changes in fund balance are primarily attributable to the \$41.1 million SERAF payment and a decrease of \$19.4 million in tax increment revenue. The \$551.9 million fund balance is distributed by redevelopment project area as follows: 25.3 percent or \$139.4 million for the Central District; 19.0 percent or \$104.8 million for the Coliseum; 15.1 percent or \$83.4 million for Central City East; 18.0 percent or \$99.3 million for Low and Moderate Housing; 14.8 percent or \$81.6 million for the Oakland Army Base; 0.81 percent or \$4.5 million for debt service funds; and 7.1 percent or \$39.0 million for Nonmajor Governmental Funds.
- As of June 30, 2010, the Agency has a total of \$512.5 million in long-term obligations outstanding compared to \$531.1 million in prior fiscal year, a decrease of 3.5 percent or \$18.6 million. Long-term liability includes \$493.2 million in bonds, \$5.8 million remediation obligations and \$13.5 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 18-39 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 \$219.0 million at the close of the fiscal year ended June 30, 2010.

As of the end of the fiscal year, the Agency had restricted net assets of \$551.3 million. The restricted net assets include \$4.5 million reserved for debt service, \$99.3 million reserved for low and moderate housing, and the remaining balance of \$447.6 million represents resources that are subject to external restrictions. The Agency's invested in capital assets is \$6.6 million and its deficit in unrestricted net assets of \$338.9 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

Statement of Net Assets
Governmental Activities

(In thousands)

	June 30, 2010	June 30, 2009
Assets:		
Current and other assets	\$ 596,475	\$ 686,267
Property held for resale	163,919	129,870
Fixed Assets	6,600	6,735
Total assets	766,994	822,872
Liabilities:		
Long-term liabilities	512,527	531,129
Other liabilities	35,460	38,335
Total liabilities	547,987	569,464
Net assets:		
Investments in capital assets, net of related debt	6,600	6,735
Restricted for:		
Debt service	4,467	5,434
Low and moderate housing	99,264	102,964
Urban redevelopment projects and housing (1)	447,575	468,416
Unrestricted	(338,899)	(330,141)
Total net assets	\$ 219,007	\$ 253,408

(1) Restricted net assets for debt service is reported in urban redevelopment projects and housing in FY 2009.

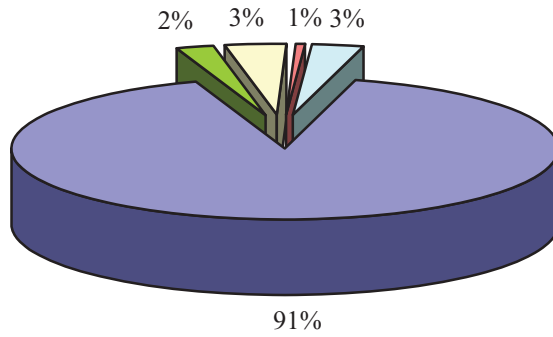
Governmental activities. The Agency's net assets decreased by \$34.4 million or 13.6 percent in fiscal year ended June 30, 2010. Key elements of this decrease are as follows:

Changes in Net Assets
Governmental Activities

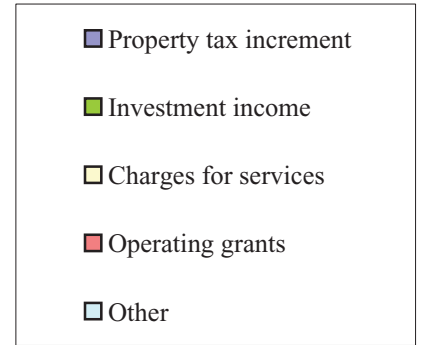
(In thousands)

	June 30, 2010	June 30, 2009
Revenues:		
Program revenues:		
Charges for services	\$ 4,314	\$ 5,448
Operating grants and reimbursements	750	2,714
General revenues:		
Property tax increment	112,186	131,688
Investment income	3,074	11,253
Other	3,740	15,934
Total general revenues	119,000	158,875
Total program and general revenues	124,064	167,037
Expenses:		
Urban redevelopment and housing development	89,367	86,093
Supplemental Education Revenue Augmentation Fund Payment	41,114	-
Interest on long-term debt	27,984	27,912
Total expenses	158,465	114,005
Increase in net assets	(34,401)	53,032
Net assets, beginning of year	253,408	200,376
Net assets, end of year	\$ 219,007	\$ 253,408

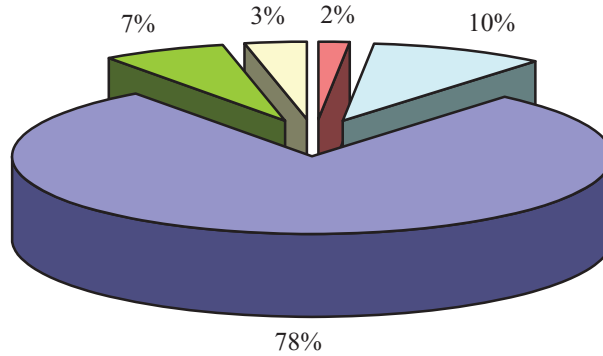
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2009-10**



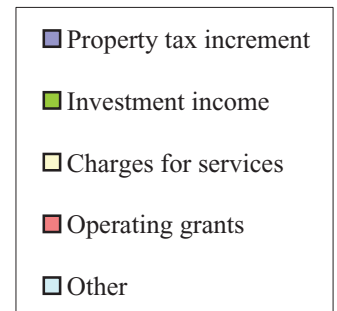
Total Revenues \$124,064



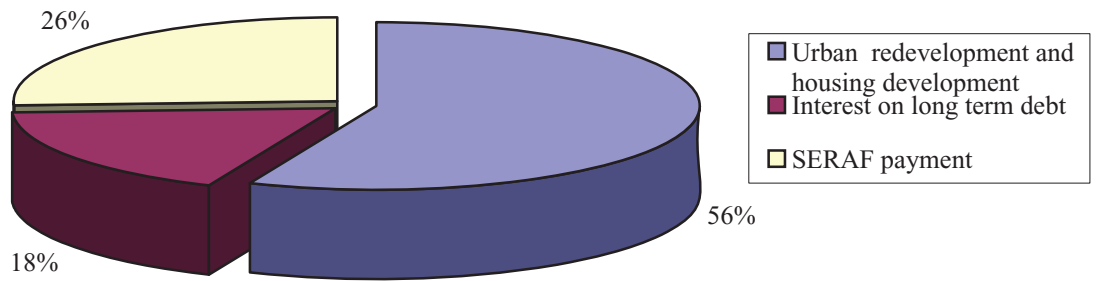
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2008-09**



Total Revenues \$167,037

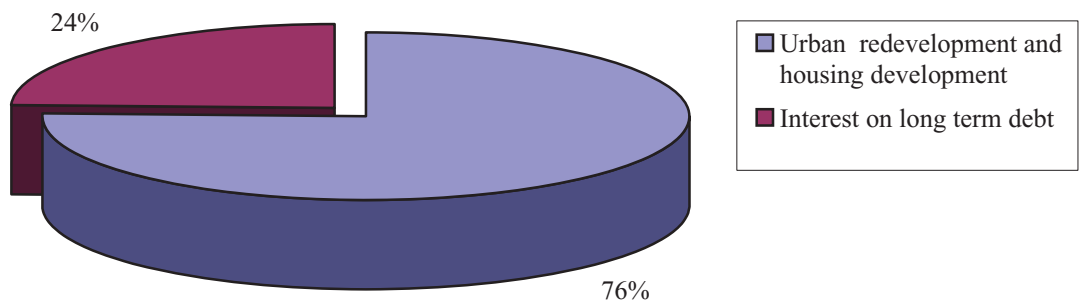


**Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2009-10**



Total Expenses \$158,465

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



Total Expenses \$114,005

Analysis of Changes in Net Assets

The expenses in governmental activities for the Agency exceeded revenues by \$34.4 million for the year ended June 30, 2010. This represents a decrease of 164.9 percent or \$87.4 million compared to the prior year's change in net assets of \$53.0 million. The decrease is primarily attributed to a \$43.0 million decrease in revenues and a \$44.4 million increase in total spending.

During fiscal year 2009-2010, the Agency's revenues decreased by \$43.0 million or 25.7 percent compared to the previous fiscal year. All major revenue categories experienced double digit decreases. Contributing to the decrease in total revenue is tax increment which reduced by \$19.5 million or 14.8 percent, primarily due to lower assessment value on properties; other revenues also decreased by \$12.2 million or 76.5 percent; investment income decreased by \$8.2 million reflects the low interest rate environment during the year; charges for services drop of \$1.1 million or 20.8 percent; and operating grants decreased by \$2.0 million or 72.4 percent during this difficult economic period.

Conversely, government-wide expenses increased by \$44.4 million or 38.8 percent. The increase is primarily attributable to the \$41.1 million SERAF payment and \$3.3 million increase in expenses related to Coliseum project area.

Financial Analysis of the Agency's Fund Balances

As of June 30, 2010, the Agency's governmental funds reported combined ending fund balances of \$551.9 million, a decrease of 10.5 percent or \$64.5 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$36.3 million decrease in revenues, a \$7.5 million increase in spending and a \$38.0 million decrease in other financing sources.

The revenue decrease is mainly attributed to a \$17.1 million decrease in tax increment; a \$12.7 million decrease in other revenue, and an \$8.2 million decrease in interest and investment income offset by a \$1.7 million increase in rents and reimbursements.

The increase in spending is primarily attributed the \$41.1 million SERAF payment offset by a \$5.6 million reduction in urban redevelopment and housing spending and a \$29.3 million reduction in principal repayment of bonds and advances. The decrease in principal repayment represents a \$16.5 million repayment toward the Central District advance and a \$12.4 million repayment of the tax allocation bond, series 2005, in FY2009.

The decrease in other financing sources largely attributed to the debt restructuring on March 23, 2009. As a result of the debt restructuring, the Agency received \$38.0 million in bond proceeds along with the retirement of the 2005 series tax allocation bonds.

City of Oakland
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
(In thousands)

	June 30, 2010	June 30, 2009
Revenues:		
Property tax increment	\$ 114,411	\$ 131,536
Investment income	3,074	11,253
Rents and reimbursements	8,385	6,733
Other	3,268	15,934
Total general revenues	<u>129,138</u>	<u>165,456</u>
Expenditures:		
Urban redevelopment and housing	106,755	112,306
Supplemental Education Revenue Augmentation Fund Payment	41,114	-
Payment on advances	656	17,245
Retirement of long-term debt	16,865	29,620
Interest on long-term debt	28,252	26,391
Bond issuance cost	-	601
Total expenses	<u>193,642</u>	<u>186,163</u>
Other Financing Sources (Uses)		
Tax allocation bonds issued	-	38,755
Discount on bonds issuance	-	(779)
Total other financing sources	<u>-</u>	<u>37,976</u>
Change in fund balance	<u>(64,504)</u>	<u>17,269</u>
Beginning fund balance	616,439	599,170
Fund Balance at End of the Year	<u><u>\$ 551,935</u></u>	<u><u>\$ 616,439</u></u>

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, 2010 are reported as \$6.6 million, net of accumulated depreciation.

Long-term debt

At June 30, 2010, the Agency had total outstanding long-term debt of \$488.9 million, a decrease of \$16.9 million or 3.3 percent from the prior fiscal year. The decrease represents the repayment of debts.

Bond Ratings

The Agency's bond ratings at June 30, 2010 are as follows (in thousands):

	Moody's	Standard & Poors	Fitch JBCA	Balance Outstanding
Tax allocation	A2	A+/A-	N/A	\$ 404,275
Housing set-aside revenue bonds	A2	A+	A+	84,510
General obligation bonds	N/A	N/A	N/A	115
TOTAL				<u><u>\$ 488,900</u></u>

Long-term liabilities at the end of June 30, 2010 and June 30, 2009 are comprised of the following (in thousands):

	FY 2010	FY 2009
Bonds Payable:		
Tax allocation bonds payable	\$ 404,275	\$ 418,520
Housing set-aside revenue bonds	84,510	87,075
General obligation bonds	115	170
Total Bonds Payable	<u>488,900</u>	<u>505,765</u>
Other Long-Term Liabilities:		
Deferred amounts, net	4,322	5,083
Uptown remediation costs	7	7
OBRA remediation costs	5,500	5,500
Other remediation costs	300	620
Advances from City of Oakland	13,498	14,154
Total Other Long-Term Liabilities	<u>23,627</u>	<u>25,364</u>
Total Long-Term Obligations	<u><u>\$ 512,527</u></u>	<u><u>\$ 531,129</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 in fiscal year 2010-2011 is approximately \$8.5 million. Payments are to be made by May 10, 2011. 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, 2010

(In thousands)

	Governmental Activities
ASSETS	
Cash and investments	\$ 220,898
Accrued interest receivable	653
Accounts receivable (net of allowance for uncollectibles of \$226)	2,440
Due from the City of Oakland	13,842
Due from other government	36
Notes receivable (net of allowance for uncollectibles of \$47,018)	156,038
Restricted cash and investments	192,471
Property held for resale	163,919
Other assets	2,032
Deferred charges - bond issuance costs	8,065
Capital assets:	
Land and other assets not being depreciated	3,377
Facilities and equipment, net of depreciation	3,223
TOTAL ASSETS	766,994
LIABILITIES	
Accounts payable and accrued liabilities	3,211
Accrued interest payable	9,278
Due to the City of Oakland	10,898
Due to other governments	11,475
Deposits and other liabilities	598
Non-current liabilities:	
Due within one year	22,504
Due in more than one year	490,023
TOTAL LIABILITIES	547,987
NET ASSETS (Deficit)	
Invested in capital assets	6,600
Restricted for:	
Debt service	4,467
Low and moderate housing	99,264
Urban redevelopment projects	447,575
Unrestricted net assets (deficit)	(338,899)
TOTAL NET ASSETS	\$ 219,007

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Activities

For the year ended June 30, 2010

(In thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Urban redevelopment	\$ 81,744	\$ 4,314	750	\$ (76,680)
Housing development	7,623	-	-	(7,623)
Supplemental Education Revenue				
Augmentation Fund Payment	41,114	-	-	(41,114)
Interest on long-term debt	27,984	-	-	(27,984)
Total governmental activities	\$ 158,465	\$ 4,314	\$ 750	\$ (153,401)
General Revenues:				
Property tax increment				112,186
Investment income				3,074
Other				3,740
Total general revenues				119,000
Change in net assets				(34,401)
Net assets at beginning of year				253,408
Net assets at end of year				\$ 219,007

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Balance Sheet Governmental Funds June 30, 2010 (In thousands)

	Capital Projects						Debt	Service	Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base					
ASSETS										
Cash and investments	\$ 45,166	\$ 31,503	\$ 19,153	\$ 61,753	\$ 35,171	\$	612	\$	27,540	\$ 220,898
Accrued interest receivable	156	85	54	184	97		1		76	653
Accounts receivable (net of allowance for uncollectibles of \$226)	145	-	-	-	2,178		-		117	2,440
Due from other governments	-	10	2	-	2		-		22	36
Due from the City	1,805	-	-	143	-		-		173	2,121
Advances to the City	9,988	-	-	1,465	-		-		268	11,721
Notes receivable (net of allowance for uncollectibles of \$47,018)	47,931	1,792	-	103,473	342		-		2,500	156,038
Property held for resale	61,845	30,718	9,992	8,013	48,940		-		4,411	163,919
Other assets	-	32	-	-	-		-		-	32
Restricted cash and investments	40,167	49,806	57,563	30,195	-		3,854		10,886	192,471
TOTAL ASSETS	\$ 207,203	\$ 113,946	\$ 86,764	\$ 205,226	\$ 86,730	\$	4,467	\$	45,993	\$ 750,329
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable and accrued liabilities	\$ 236	\$ 719	\$ 616	\$ 610	\$ 639	\$	-	\$	391	\$ 3,211
Due to the City	4,238	2,269	1,093	267	984		-		2,047	10,898
Due to other governments	3,140	4,373	1,613	-	775		-		1,574	11,475
Deposits and other liabilities	305	-	-	4	245		-		44	598
Deferred revenue	59,855	1,792	-	105,081	2,520		-		2,964	172,212
TOTAL LIABILITIES	67,774	9,153	3,322	105,962	5,163		-		7,020	198,394
FUND BALANCES										
Reserved for property held for resale	61,845	30,718	9,992	8,013	48,940		-		4,411	163,919
Reserved for approved capital projects/activities	77,584	74,075	73,450	91,251	32,627		-		33,933	382,920
Reserved for debt service	-	-	-	-	-		4,467		-	4,467
Unreserved reported in Capital Project Funds	-	-	-	-	-		-		629	629
TOTAL FUND BALANCES	139,429	104,793	83,442	99,264	81,567		4,467		38,973	551,935
TOTAL LIABILITIES AND FUND BALANCE:	\$ 207,203	\$ 113,946	\$ 86,764	\$ 205,226	\$ 86,730	\$	4,467	\$	45,993	\$ 750,329

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, 2010

(In thousands)

Fund balance - total governmental funds \$ 551,935

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.

Capital assets at beginning of year	\$ 6,735	
Capital assets additions	17	
Capital assets depreciation	(152)	6,600

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. 8,065

Prepaid leases are expended in the governmental funds when paid and are capitalized
and amortized over the life of the lease for governmental activities. 2,000

Interest on long-term debt is not accrued in the governmental funds, but rather is
recognized as an expenditure when due. (9,278)

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. 172,212

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

Type	Amount	
Tax allocation bonds	\$ (404,275)	
Housing set-aside revenue bonds	(84,510)	
General obligation bonds	(115)	
Issuance premiums	(8,774)	
Issuance discounts	698	
Refunding loss	3,754	
Other remediation cost	(300)	
Uptown remediation costs	(7)	
Oakland Army Base remediation costs	(5,500)	
Advances from the City of Oakland	(13,498)	
Subtotal		(512,527)

Net assets of governmental activities \$ 219,007

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010
(In thousands)

	Capital Projects						Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base				
REVENUES									
Tax increment	\$ 57,605	\$ 26,905	\$ 11,622	\$ -	\$ 6,095	\$ -	\$ -	\$ 12,184	\$ 114,411
Interest on restricted investments	11	9	-	25	-	-	275	-	320
Interest on pooled investments	452	417	280	729	435	13	13	360	2,686
Interest on notes receivable	-	34	-	-	-	-	-	34	68
Rents and reimbursements	3,222	15	-	-	1,960	-	-	3,188	8,385
Other	1,397	71	20	1,403	26	-	-	351	3,268
TOTAL REVENUES	62,687	27,451	11,922	2,157	8,516	288	288	16,117	129,138
EXPENDITURES									
Current:									
Urban redevelopment and housing	25,674	21,916	17,643	17,798	5,621	161	161	17,942	106,755
Supplemental Education Revenue									
Augmentation Fund Payment	7,039	13,374	9,380	-	3,215	-	-	8,106	41,114
Debt Service:									
Payment on advances	-	-	-	-	-	473	473	183	656
Retirement of long-term debt	-	-	-	-	-	16,865	16,865	-	16,865
Interest	-	-	-	-	-	27,435	27,435	817	28,252
TOTAL EXPENDITURES	32,713	35,290	27,023	17,798	8,836	44,934	44,934	27,048	193,642
Excess (deficiency) of revenues over expenditures	29,974	(7,839)	(15,101)	(15,641)	(320)	(44,646)	(44,646)	(10,931)	(64,504)
OTHER FINANCING SOURCES (USES)									
Transfers in	1,941	2,371	3,164	28,324	404	43,729	43,729	3,808	83,741
Transfers out	(40,338)	(13,212)	(7,415)	(16,383)	(1,524)	(50)	(50)	(4,819)	(83,741)
TOTAL OTHER FINANCING SOURCES (USES)	(38,397)	(10,841)	(4,251)	11,941	(1,120)	43,679	43,679	(1,011)	-
Change in fund balances	(8,423)	(18,680)	(19,352)	(3,700)	(1,440)	(967)	(967)	(11,942)	(64,504)
Fund balances at beginning of year	147,852	123,473	102,794	102,964	83,007	5,434	5,434	50,915	616,439
FUND BALANCES AT END OF YEAR	\$ 139,429	\$ 104,793	\$ 83,442	\$ 99,264	\$ 81,567	\$ 4,467	\$ 4,467	\$ 38,973	\$ 551,935

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, 2010
(In thousands)

Net change in fund balances - total governmental funds	\$	(64,504)
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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.

Capital asset acquisition	\$	17	
Depreciation		<u>(152)</u>	(135)

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.

Change in deferred revenue	\$	(5,074)	
New notes and loans		<u>15,203</u>	10,129

Prepaid leases are expended in the governmental funds when paid and are capitalized and amortized over the life of the lease for governmental activities.		2,000
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of bond issuance costs	\$	(578)	
Retirement of long-term debt		16,865	
Payment on advances		656	
Amortization of premiums and discounts		1,044	
Amortization of refunding loss		(283)	
Net changes in remediation cost		<u>320</u>	18,024

Additional accrued interest on bonds payable		<u>85</u>
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Change in net assets of governmental activities	\$	<u><u>(34,401)</u></u>
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See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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. The Agency uses the *purchases method* to account for expenditures, and accordingly, no prepaid items are reported.

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. All other revenues are considered available if they are collected within 120 days of end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except for debt service expenditures are recorded only when payment is due.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

The Agency reports the following major governmental funds:

Capital project funds:

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

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

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

Low and Moderate Housing Fund – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Oakland Redevelopment Agency board, respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds, Series 2000T and 2006A-T, and Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A. 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 were 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 funds:

The Debt Service Fund accounts for the accumulation of resources and the payment of Tax Allocation bonds, Subordinated Housing Set-Aside bonds, and General Obligation bonds' 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, 2010, and reflects the values as if the Agency were to liquidate the securities

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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 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.

During the period it is held by the Agency, property held for resale may 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 include land, facilities and improvements, furniture, machinery, equipment and infrastructure, 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.

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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 such as facilities and improvements is provided on the straight-line basis over useful life of 5 – 40 years.

Environmental Remediation Costs

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts of property held for resale when incurred. All estimated environmental remediation costs that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

Fund Equity

In the fund financial statements, governmental funds report 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 debt service – To account for fund balance reserved for the payment of debt service requirements in subsequent years.

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.

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 with a two year extension. At June 30, 2010, the Oakland Army Base capital project fund reported reserved fund balance of \$81.6 million which included \$48.9 million in property held for resale.

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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 January 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.

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.

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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, 2010 (in thousands):

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 220,898
Restricted cash and investments	<u>192,471</u>
Total cash and investments	<u>\$ 413,369</u>

The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the 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, 2010, the Agency's cash and investment pool totaled \$220.9 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, 2010 the Agency's investment in LAIF was \$52.1 million (\$49.5 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 \$23.3 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$69.4 billion. Of that amount, 94.58% is invested in non-derivative financial products and 5.42% 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.

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Custodial Credit Risk:

At June 30, 2010, the carrying amount of the Agency's deposits was \$3.7 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$0.8 million was FDIC insured and \$2.9 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency prequalifies financial institutions, diversifies its portfolio and has established monitoring procedures. The following tables show the Agency's credit risk as rated by Moody's for the Pooled and Restricted portfolios as of June 30, 2010 (in thousands):

Pooled Cash and Investments

Ratings as of June 30, 2010

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>A-1/P1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 55,532	\$ 55,532	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	50,990	50,990	-	-
Money Market Funds	34,200	34,200	-	-
LAIF	49,522	-	-	49,522
Negotiable CDs	9,000	-	9,000	-
Commerical Paper - Discount	17,982	-	17,982	-
Subtotal	217,226	\$ 140,722	\$ 26,982	\$ 49,522
Deposits	3,672			
Total	\$ 220,898			

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Restricted Cash and Investments

Ratings as of June 30, 2010

	Fair Value	AAA/Aaa	Not Rated
U.S.Govt. Agency Securities Disc.	\$ 82,678	\$ 82,678	\$ -
Money Market Funds	107,127	107,127	-
LAIF	2,628	-	2,628
Subtotal	192,433	\$ 189,805	\$ 2,628
Deposits	38		
Total	\$ 192,471		

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 \$72.0 million and Federal Home Loan Bank for \$99.0 million, which represents 17.58% and 24.17% of the total Agency portfolio respectively. The following table shows the diversification of the Agency's portfolio (in thousands):

Pooled Cash and Investments

Restricted Investments

	Fair Value	% of Portfolio		Fair Value	% of Portfolio
U.S. Govt. Agency Securities	\$ 55,532	25.14%	U.S. Govt. Agency Securities Disc.	\$ 82,678	42.96%
U.S. Govt. Agency Securities Disc.	50,990	23.08%	Money Market Funds	107,127	55.66%
Money Market Funds	34,200	15.48%	LAIF	2,628	1.37%
LAIF	49,522	22.42%	Deposits	38	0.02%
Negotiable CDs	9,000	4.07%	Total	\$ 192,471	100%
Commerical Paper (Discount)	17,982	8.14%			
Deposits	3,672	1.66%			
Total	\$ 220,898	100%			

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

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its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 255 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, 2010, 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	\$ 55,532	0.60% - 2.68%	\$ 9,138	\$ 29,620	\$ 16,774
U.S. Govt. Agency Securities Disc.	50,990	0.00% - 0.22%	50,990	-	-
Money Market Funds	34,200	0.14%	34,200	-	-
LAIF	49,522	0.53%	49,522	-	-
Negotiable CDs	9,000	0.36% - 0.40%	9,000	-	-
Commerical Paper (discount)	17,982	0.12% - 0.54%	17,982	-	-
Total	<u>\$ 217,226</u>		<u>\$ 170,832</u>	<u>\$ 29,620</u>	<u>\$ 16,774</u>

Restricted Investments

	Fair Value	Interest Rates	Maturities
			12 Months or Less
U.S. Govt. Agency Securities Disc.	\$ 82,678	0.00% - 0.44%	\$ 82,678
Money Market Funds	107,127	0.01% - 0.96%	107,127
LAIF	2,628	0.53%	2,628
Total	<u>\$ 192,433</u>		<u>\$ 192,433</u>

Restricted Investments in Capital Project and Debt Service Funds

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2010, the amounts held by the trustees aggregated \$192.5 million of which \$188.6 million is available to be used for restricted projects. All restricted investments held by trustees as of June 30, 2010 were invested in U.S. government agency securities discount note, money market mutual funds and LAIF, and were in compliance with the bond indentures.

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Total Agency cash and investments as of June 30, 2010, are as follow (in thousands):

Fund	Equity in Pooled Cash and Investment	Restricted Cash and Investment With Fiscal Agent	Total Governmental Funds
Central District	\$ 45,261	\$ 40,167	\$ 85,428
Coliseum	31,550	49,806	81,356
Central City East	19,176	57,563	76,739
Low and moderate housing	61,553	30,195	91,748
Oakland Army Base	35,181	-	35,181
Debt Service	612	3,854	4,466
Nonmajor governmental funds	27,565	10,886	38,451
TOTAL	\$ 220,898	\$ 192,471	\$ 413,369

(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, 2010 is as follows (in thousands):

	Central District	Coliseum	Low and Moderate Housing	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ 137,194	\$ -	\$ 1,462	\$ 138,656
Development loans	59,937	1,792	-	342	1,040	63,111
Small business loans	128	-	-	-	1,161	1,289
Gross notes receivable	60,065	1,792	137,194	342	3,663	203,056
Less: Allowance for uncollectible accounts	(12,134)	-	(33,721)	-	(1,163)	(47,018)
Total Notes receivable, net	<u>\$ 47,931</u>	<u>\$ 1,792</u>	<u>\$ 103,473</u>	<u>\$ 342</u>	<u>\$ 2,500</u>	<u>\$ 156,038</u>

In FY 2009-10, the agency loaned an additional \$10.1 million through the low and moderate housing program and \$3.4 million to Fox Theater Master Tenant LLC and Fox Oakland Theater Inc. from the Central District project area (see note 10).

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(5) PROPERTY HELD FOR RESALE

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

	Balance			Balance
	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Property held for resale	\$ 129,870	\$ 34,049	\$ -	\$ 163,919

The increases in Property Held for Resale represent a purchase of real property at 2330 Webster Street and 2315 Valdez Street in the amount of \$4.07 million in the Central District project area; \$13.74 million for the development of Coliseum Transit Village and \$13.24 million for the development of Hegenberger Gateway/Oakland Airport area in the Coliseum project area; and purchase of \$3.00 million for development in the Central City East project area.

(6) CAPITAL ASSETS

Capital assets activity of the Agency for the year ended June 30, 2010, is as follows (in thousands):

	Balance			Balance
	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,360	\$ 17	\$ -	3,377
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
Less accumulated depreciation	(1,365)	(152)	-	(1,517)
Total capital assets, being depreciated, net	3,375	(152)	-	3,223
Governmental activities capital assets, net	<u>\$ 6,735</u>	<u>\$ (135)</u>	<u>\$ -</u>	<u>\$ 6,600</u>

The Agency has \$6.6 million capital assets, net of depreciation, for the fiscal year ended June 30, 2010. During fiscal year 2010, the Agency purchased two properties on Sunshine Court in the amount of \$17 thousand for redevelopment and dedication as a city street. The Henry J. Robinson Multi-Service Center facility depreciated at a rate of \$152 thousand annually.

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(7) INTERGOVERNMENTAL RECEIVABLES, PAYABLES AND INTERFUND TRANSFERS

“Advances to” the City balances have primarily been recorded as it relates to pass through loans transactions made by the Agency primarily for projects such as first-time homebuyer programs and redevelopment programs funded by the Agency’s Low and Moderate Housing Fund and Central District Fund, respectively. The loan repayments made from the program will be repaid to the Agency’s Low and Moderate Housing Fund or Central District Fund accordingly. “Due From” the City balances are primarily short-term intergovernmental loans for projects. “Due to” the City balances mainly comprise of the AB 1290 Statutory Pass-Through annual payment. The composition of the amount due from the City as of June 30, 2010 is as follows (in thousands):

Advance to the City (in thousands):

Receivable Project Areas	Descriptions	Amount
Central District	Pass through loans to the City	\$ 9,988
Low and Moderate Housing	Pass through loans to the City	1,465
Nonmajor governmental funds	Pass through loans to the City	268
Total advance to the City		<u><u>\$ 11,721</u></u>

Due from the City (in thousands):

Receivable Project Areas	Descriptions	Amount
Central District	Due from City	\$ 1,805
Low and Moderate Housing	Due from City	143
Nonmajor governmental funds	Due from City	173
Total due from the City		<u><u>\$ 2,121</u></u>

Due to the City (in thousands)

Payable Project Areas	Descriptions	Amount
Central District	Due to City	\$ 4,238
Coliseum	Due to City	2,269
Central City East	Due to City	1,093
Low and Moderate Housing	Due to City	267
Oakland Army Base	Due to City	984
Nonmajor governmental funds	Due to City	2,047
Total due to the City		<u><u>\$ 10,898</u></u>

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Interfund Transfers (in thousands):

	Transfers In							Total Governmental Fund
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	
Transfers out:								
Central District	\$ -	\$ -	\$ -	\$ 14,401	\$ -	\$ 23,644	\$ 2,293	\$ 40,338
Coliseum	-	-	-	6,726	-	6,486	-	13,212
Central City East	-	-	-	2,905	-	4,510	-	7,415
Low and Moderate Housing	1,941	2,344	3,145	-	404	7,506	1,043	16,383
Oakland Army Base	-	-	-	1,524	-	-	-	1,524
Debt Service	-	27	19	-	-	-	4	50
Nonmajor Governmental Funds	-	-	-	2,768	-	1,583	468	4,819
TOTAL	<u>\$ 1,941</u>	<u>\$ 2,371</u>	<u>\$ 3,164</u>	<u>\$ 28,324</u>	<u>\$ 404</u>	<u>\$ 43,729</u>	<u>\$ 3,808</u>	<u>\$ 83,741</u>

The Central District, Coliseum, Central City East, Low & Moderate Housing, and Nonmajor Governmental Funds transferred \$43.7 million into the Debt Service Fund for payment of City advances and principal and interest on tax allocation and housing set-aside revenue bonds. The \$28.3 million transfer into the Low and Moderate Housing Fund, as reflected above, represent a 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 out from Low and Moderate Housing fund to other funds represents the return of the 5% voluntary housing set aside from tax increments equal to \$8.5 million solely for the purpose of making the state required SERAF payment. The transfer of \$2.3 million to Nonmajor Governmental Funds represents a fund transfer from Central District Fund to other project area funds based on FY2009-11 adopted budget.

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(8) LONG-TERM DEBT

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2010, are as follows (in thousands):

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	<u>Due within One Year</u>
Bonds Payable:					
Tax allocation bonds	\$ 418,520	\$ -	\$ (14,245)	\$ 404,275	\$ 16,555
Housing set-aside revenue bonds	87,075	-	(2,565)	84,510	2,755
General obligation bond	170	-	(55)	115	55
Less deferred amounts:					
Issuance premiums	9,887	-	(1,113)	8,774	1,113
Issuance discount	(767)	-	69	(698)	(69)
Refunding loss	<u>(4,037)</u>	<u>-</u>	<u>283</u>	<u>(3,754)</u>	<u>(283)</u>
Total bonds payable	510,848	-	(17,626)	493,222	20,126
Army Base remediation costs	5,500	-	-	5,500	2,000
Other remediation cost	627	-	(320)	307	300
Advances from City of Oakland	<u>14,154</u>	<u>-</u>	<u>(656)</u>	<u>13,498</u>	<u>78</u>
TOTAL	<u>\$ 531,129</u>	<u>\$ -</u>	<u>\$ (18,602)</u>	<u>\$ 512,527</u>	<u>\$ 22,504</u>

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The following is a summary of long-term obligations as of June 30, 2010 (in thousands):

Type of Obligation	Final Maturity Year	Interest Rates	Amount
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Series 1992	2014	2.5 % - 6.0%	\$ 24,465
Central District Subordinated Tax Allocation Refunding Series 2003	2020	3.0% - 5.50%	97,530
Central District Subordinated Tax Allocation Refunding Series 2005	2023	5.00%	31,970
Central District Subordinated Tax Allocation Refunding Series 2006T	2022	5.252 - 5.411%	25,385
Central District Subordinated Tax Allocation Refunding Series 2009T	2021	5.3% - 8.5%	38,755
Central City EastTax Allocation Refunding Series 2006A-TE	2037	5.00%	13,780
Central City EastTax Allocation Refunding Series 2006A-T	2034	5.263% - 5.537%	58,705
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2037	4.00% - 5.00%	27,295
Coliseum Area Tax Allocation Refunding Series 2006B-T	2036	5.263% - 5.537%	69,980
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE	2037	5.00%	4,945
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T	2032	5.283% - 5.587%	11,465
Total Tax Allocation Bonds			404,275
General Obligation Bond - Tribune Tower	2012	5.643%	115
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2000T	2011	7.39% - 7.82%	2,225
Revenue Series 2006A	2019	5.00%	2,195
Revenue Series 2006A-T	2037	5.030% - 5.927%	80,090
Total Subordinated Housing Set-Aside Bonds			84,510
SUB TOTAL			488,900
Deferred Amounts:			
Unamortized bond premium (discount), net			8,076
Unamortized bond refunding loss, net			(3,754)
TOTAL BONDS PAYABLE			\$ 493,222

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 \$3,100,961,349. 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 March 1 and September 1. The total principal and interest remaining on these TABs is \$657,153,936 which is 21.2

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percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$84,974,716, of which \$36,725,380 was used to pay debt service.

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 \$812,044,115 and \$203,011,029, 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 \$147,965,903, which is 14.6 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, 2010 was \$28,324,000, of which \$7,506,111 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, 2010 the total outstanding balance was \$13.5 million, comprised of the following (in thousands):

Project Description	July 1, 2009	Additions	Deductions	June 30, 2010	Due within One Year
Oak Center	\$ 13,853	\$ -	\$ (583)	\$ 13,270	\$ -
Stanford/Adeline	135	-	(65)	70	70
West Oakland	166	-	(8)	158	8
TOTAL	\$ 14,154	\$ -	\$ (656)	\$ 13,498	\$ 78

On July 20, 2010, the City Council approved a resolution forgiving the Agency on its remaining balance of \$13.27 million under the 1966 Oak Center repayment contract that requested the City construct improvements within the Oak Center Project Area.

Payments to the City on Stanford/Adeline and West Oakland advances 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 \$35.7 million at June 30, 2010.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Bond Indentures

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

Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2010 (in thousands).

Year ending June 30:	Governmental Activities	
	Principal	Interest
2011	\$ 19,365	\$ 27,099
2012	20,365	26,039
2013	21,645	24,929
2014	23,580	23,712
2015	18,165	22,382
2016 - 2020	145,040	89,111
2021 - 2025	94,120	50,085
2026 - 2030	49,855	33,615
2031 - 2035	65,325	17,702
2036 - 2037	31,440	1,670
TOTAL	\$ 488,900	\$ 316,344

Conduit Debt

The following long-term debt has been issued by the Agency on behalf of named agents of the Agency. The bonds do not constitute an indebtedness of the Agency. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the Agency, and neither the full faith and credit nor the taxing authority of the Agency, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The City has recorded the Oakland Museum as an asset and the debt on its government-wide statement of net assets.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

The conduit debt issued and outstanding at June 30, 2010 (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2010</u>
City of Oakland Refunding Certificates of Participation (Oakland Museum) 2002 Series A	\$ 16,295	04/01/12	\$ 7,210
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	<u>160,000</u>
TOTAL			<u>\$ 167,210</u>

(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, 2010, the Agency reimbursed the City \$45.1 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 \$1.5 million for the fiscal year ended June 30, 2010; \$0.7 million in loan principal and \$0.8 million in interest expense.

(10) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. ("FOT") DEVELOPMENT

FOT is a Internal Revenue Code section 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 FOT as a long-term capital 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).

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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.

The 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 2009-10 the Agency loaned an additional \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$1.4 million Fox Theater Master Tenant LLC loan has a 15 year term. The Agency also provided an additional loan of \$2.0 million to Fox Oakland Theater Inc.

(11) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2010, the Agency entered into contractual commitments of approximately \$55.3 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, 2010, the Agency committed to funding \$90.7 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

On March 1, 2006, the Agency entered into the Jack London Gateway, Enhanced Enterprise Community Section 108 loan and grant agreement with City of Oakland as a guarantor of the promissory note. Under this agreement, the Agency committed to pay a portion of the note equal to \$160 thousand per year for a ten year period. As of June 30, 2010, the remaining balance is \$1.3 million.

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 SERAF revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. As of June 30, 2010, the Agency's remaining share of the SERAF payment is approximately \$8.5 million and its due on May 10, 2011.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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.

Wood Street Affordable Housing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2010, environmental remediation clean up activities has not been completed yet. The Agency has set-aside \$300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land originally conveyed to Oakland Base Reuse Authority (OBRA) from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance premium. As of June 30, 2010, the Agency has spent approximately \$13 million on this project, of which \$10.9 million has been received. The Agency is working with the US Department of Army on collecting the remaining balance of \$2.1 million.

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

**Broadway/MacArthur/San Pablo Redevelopment Project
Second Lien Tax Allocation Bonds, Series 2010-T
(Federally Taxable Recovery Zone Economic Development Bonds)**

On November 12, 2010, the Redevelopment Agency of the City of Oakland (the “Agency”) closed the Broadway/MacArthur/San Pablo Development Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the “Bonds”) in the principal amount of \$7,390,000 with a maturity date of September 1, 2030 and September 1, 2040. The Bonds are taxable with an interest rate of 7.20% and 7.40% respectively. Since the Bonds were issued through the American Recovery and Reinvestment Act of 2009, the Agency expects to receive \$6.2 million or 45 percent interest subsidy from the federal government.

COMBINING FINANCIAL STATEMENTS and COMPLIANCE SECTION

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

(In thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and investments	\$ 2,462	\$ 6,853	\$ 9,080	\$ 7,403	\$ 1,742	\$ 27,540
Accrued interest receivable	7	19	25	20	5	76
Accounts receivable, net	-	-	-	117	-	117
Due from the City	-	-	-	-	173	173
Advances to the City	-	-	-	-	268	268
Due from other governments	-	-	-	-	22	22
Notes receivable, net	533	6	100	1,791	70	2,500
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	10,886	-	-	-	10,886
TOTAL ASSETS	\$ 3,002	\$ 17,764	\$ 9,205	\$ 13,742	\$ 2,280	\$ 45,993

LIABILITIES AND FUND BALANCES

LIABILITIES						
Accounts Payable	\$ -	\$ 141	\$ 17	\$ 130	\$ 103	\$ 391
Due to the City	-	384	444	211	1,008	2,047
Due to other governments	-	636	768	170	-	1,574
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	533	6	100	1,791	534	2,964
TOTAL LIABILITIES	545	1,192	1,329	2,303	1,651	7,020
FUND BALANCES						
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for approved capital projects/activities	2,457	16,572	7,876	7,028	-	33,933
Unreserved reported in Capital Project Funds	-	-	-	-	629	629
TOTAL FUND BALANCES	2,457	16,572	7,876	11,439	629	38,973
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,002	\$ 17,764	\$ 9,205	\$ 13,742	\$ 2,280	\$ 45,993

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010
(In thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
REVENUES						
Tax increment	\$ 1,416	\$ 5,050	\$ 5,718	\$ -	\$ -	\$ 12,184
Interest on pooled cash and investments	32	85	119	104	20	360
Interest on notes receivable	-	-	-	34	-	34
Rents and reimbursements	33	-	-	3,155	-	3,188
Other	13	80	3	255	-	351
TOTAL REVENUES	1,494	5,215	5,840	3,548	20	16,117
EXPENDITURES						
Current:						
Urban redevelopment and housing	284	6,372	3,813	7,343	130	17,942
Supplemental Education Revenue						
Augmentation Fund Payment	1,039	2,564	3,895	608		8,106
Debt Service:						
Payment on advances	-	-	-	-	183	183
Interest	-	-	-	-	817	817
TOTAL EXPENDITURES	1,323	8,936	7,708	7,951	1,130	27,048
Excess (deficiency) of revenues over expenditures	171	(3,721)	(1,868)	(4,403)	(1,110)	(10,931)
OTHER FINANCING SOURCES (USES)						
Transfers in	93	368	496	2,851	-	3,808
Transfers out	(354)	(2,357)	(1,443)	(665)	-	(4,819)
TOTAL OTHER FINANCING SOURCES (USES)	(261)	(1,989)	(947)	2,186	-	(1,011)
Change in fund balances	(90)	(5,710)	(2,815)	(2,217)	(1,110)	(11,942)
Fund balances at beginning of year	2,547	22,282	10,691	13,656	1,739	50,915
FUND BALANCES AT END OF YEAR	\$ 2,457	\$ 16,572	\$ 7,876	\$ 11,439	\$ 629	\$ 38,973

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**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***

Honorable Mayor and Members of the Council
of the Redevelopment Agency
City of Oakland, California

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, 2010, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 23, 2010. 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and noted below as items 2010-01 and 2010-02.

Finding 2010-01 – Authorization for use of the Agency's Voluntary Five Percent Contribution

On October 6, 2009, the Agency Board of Directors adopted Resolution No. 09-90 in response to Assembly Bill (AB) 26 4x passed by the State legislature. Among other things, Resolution No. 09-90 authorized the Agency to pay a portion of the Supplemental Educational Revenue Augmentation Fund (SERAF) due by May 10, 2010 with the Agency's voluntary five percent contributions authorized under Resolution No. 01-85. The amount of voluntary five percent contributions to be used to fund the SERAF payment was very specific, \$2,492,321 for years prior to fiscal year 2009/10, \$6,034,900 for fiscal year 2009/10, and \$2,607,710 for fiscal year 2010/11.

During the year ended June 30, 2010, the Agency experienced a drop in tax increment, as assessed values decreased from the prior year and were less than estimated in the budget, which produced a voluntary five percent contribution to the Agency's Low and Moderate Income Housing Fund in the amount of \$5,664,814. While the Agency transferred out of the Low and Moderate Income Housing Fund the full amount of voluntary five percent contributions authorized under Resolution No. 09-90, there is a shortfall of \$370,086 between the amount authorized for fiscal year 2009/10 (\$6,034,900) and the amount actually contributed for fiscal year 2009/10 (\$5,664,814).

Therefore, it is unclear as to whether the \$370,086 shortfall is considered to be taken from the voluntary five percent contributions made in prior years, or whether it is considered to be taken from the 20% set-aside mandated by the Health and Safety Code. While AB 26 4x allows the use of 20% set-aside as a source for making the SERAF payment, it also requires the repayment of said funds within 5 years otherwise severe consequences are imposed over redevelopment operations.

In order to prevent any misunderstanding or uncertainty over the source of funds used within the Low and Moderate Income Housing Fund, we recommend the Agency amend Resolution No. 09-90 to update the authorized amounts of voluntary five percent contributions to be used towards making the SERAF payment.

Management's response:

Management acknowledges the finding and the Agency will return to the Agency Board of Directors with a resolution to amend Resolution No. 09-90. The adopted FY 2009-10 budget for the Agency provided for the entire voluntary 5% contribution to the low-moderate income housing set aside fund to be suspended and used instead for the Supplemental Educational Revenue Augmentation Funds (SERAF) payment. The actual tax increment received in FY 2009-10 were less than the budgeted amount, and therefore, the actual amount available for SERAF was less than the projected amount.

The "shortfall" will be made up by increasing the portion of the 5% voluntary contribution suspended in FY 2008-09. The Agency will anticipate transferring a portion of the funds carried forward from FY 2008-09 to FY 2009-10, in order to make clear that the source of funds was in fact FY 2008-09 revenues from the 5% voluntary contribution.

Finding 2010-02 – Under funding of the Agency’s Involuntary Twenty percent and Five percent Set-Aside contributions

During the year ended June 30, 2010, the Agency reduced its gross tax increment by the administrative fees, in the amount of \$856,602, charged by the County of Alameda (the County) when calculating the 20% low-moderate income housing set-aside mandated by the State Health and Safety Code. In accordance with California Redevelopment Law, not less than 20% of the gross tax increment allocated to the agency is to be deposited in the Housing Fund prior to any deduction for administrative fees, pass-through payments to taxing entities, negotiated fiscal agreements and waivers, or other transfers from the balance of the tax increment allocated to the agency, as clarified by the State Attorney General in its opinion, 76 Ops. Cal. Atty. Gen. 137 (1993). Therefore, the amount deposited into the Agency’s Housing Fund was less than required by California Redevelopment Law.


We recommend that the Agency recalculate the 20% low-moderate income housing set-aside using the gross tax increment allocated by the County and correct the amount of set-aside deposited into the Agency’s Housing Fund. We also recommend the Agency review past deposits into the Housing Fund to determine whether past amounts of low-moderate income housing set-aside comply with the California Redevelopment Law and whether the Agency needs to take action to correct any past deficiencies.

Management Response:

Management acknowledges the finding and the correction was made accordingly for FY 2009-10. The Agency will also review past deposits into the Housing Fund to determine whether past amounts set-aside comply with the California Redevelopment Law and whether the Agency needs to take action to correct any past deficiencies.

We did not audit the Agency’s response to the findings identified in our audit described above and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants
Oakland, California

November 23, 2010

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Certain provisions of the Original Indenture, dated as of May 1, 2000 (as supplemented, modified and amended by the herein defined First Supplemental Indenture and Second Supplemental Indenture, the "Indenture"), are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the respective documents listed above. Capitalized terms not otherwise defined herein have the meaning given in the Indenture or such other document as may be specified herein. Certain provisions of the Indenture setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in the Official Statement. See "THE BONDS." Copies of the Indenture may be obtained from the Trustee or from the Agency.

The Indenture is an agreement between the Agency and the Trustee, for the benefit of the Bondholders, which establishes the terms and conditions upon which the Series 2000T Bonds (none of which remain outstanding) and the Series 2006 Bonds were issued, the Series 2011A-T Bonds are being issued, and any subsequent Series of Bonds are to be issued, and secures the payment of the Bonds and the performance and observance of all covenants set forth in the document.

CERTAIN DEFINED TERMS

"Accreted Value" means, with respect to any Capital Appreciation Bonds, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, from the date of initial delivery at the approximate interest rate thereof compounded semiannually, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds prepared by the Agency at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

"Acorn Redevelopment Plan" means the redevelopment plan for the Acorn Redevelopment Project of the Agency in Oakland, California, entitled "The Acorn Project Redevelopment Plan," adopted and approved by Ordinance No. 6483 C.M.S. adopted by the Council of the City of Oakland, California on November 30, 1961, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 6976 C.M.S. (April 21, 1964), Ordinance No. 7858 C.M.S. (August 1, 1968), and Ordinance No. 11760 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Additional Bonds" means all bonds of the Agency authorized and executed pursuant to and issued and delivered in accordance with the applicable provisions of the Indenture. The Series 2011A-T Bonds are being issued as Additional Bonds.

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

"Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed from the

Sinking Account, as may be scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) the principal amount of the Outstanding Serial Bonds, if any, maturing by their terms in such Bond Year, and (3) the minimum amount of such Outstanding Term Bonds required to be paid or called and redeemed in such Bond Year. Annual Debt Service will not include (a) interest on Bonds which is to be paid from amounts constituting capitalized interest or (b) principal and interest allocable to that portion of the proceeds of any Bonds required to remain unexpended and to be held in escrow pursuant to the terms of a Supplemental Indenture, provided that (i) projected interest earnings on such proceeds, portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds plus such amounts, if any, deposited by the Agency in the Interest Account, are sufficient to pay the interest due on such portion of the Bonds so long as it is required to be held in escrow and (ii) the conditions for the release of such proceeds from escrow, insofar as they relate to Housing Set Aside Revenue coverage and satisfaction of the Reserve Account Requirement, are substantially similar to those for the issuance of Additional Bonds.

The foregoing shall be subject to adjustment and recalculation as follows:

(a) with respect to Capital Appreciation Bonds, the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond;

(b) with respect to Variable Rate Bonds, the interest rate on such Variable Rate Bonds for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (1) the current interest rate calculated pursuant to the provisions of the terms of such Variable Rate Bonds, or, (2) if available, the daily average interest rate on such Variable Rate Bonds during the thirty-six (36) months preceding the date of calculation or, (3) if such Variable Rate Bonds have not been Outstanding for such thirty-six month period, such daily average interest rate on comparable debt of a state or political subdivision of a state which debt is then rated by a rating agency then maintaining a rating on the Variable Rate Bonds in a rating category equivalent to such rating agency's rating on the Variable Rate Bonds, all as specified in a Certificate of the Agency;

(c) if such Bonds are secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), the principal payments or deposits with respect to such Bonds nominally due in the last Fiscal Year in which such Bonds mature may, at the option of the Agency, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit, and interest on such Bonds after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions; and

(d) if such Bonds are not secured by a letter of credit as described in paragraph (c) of this definition and 20% or more of the original principal of such Bonds is not due until the final stated maturity of such Bonds, such principal may, at the option of the Agency, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or twenty-five (25) years, whichever is greater assuming an interest rate equal to the rate at which the Agency could borrow for such period, as certified by a financial advisor or investment banker in a certificate delivered to the Trustee within thirty (30) days of the date of calculation.

"Authorized Investments" means, subject to certain restrictions of the Series 2006 Insurer described herein, any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee will be entitled to rely upon any investment directions from the Agency as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(1) (A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"),

(B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,

(C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(A) Federal Home Loan Mortgage Corporation (FHLMC) (i) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and (ii) Senior debt obligations.

(B) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.

(C) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations.

(D) Federal National Mortgage Association (FNMA) (i) senior debt obligations and (ii) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

(E) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

- (F) Financing Corporation (FICO) debt obligations.
- (G) Resolution Funding Corporation (REFCORP) debt obligations.
- (4) Negotiable certificates of deposit of any bank the obligations of which are rated at least "A" by S&P or "A2" by Moody's.
- (5) Bankers' acceptances of any bank the short-term obligations of which are rated at least "A-1" by S&P or "P-1" by Moody's.
- (6) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
- (7) Commercial paper rated "A-1" by S&P or "P-1" by Moody's.
- (8) Money market funds rated in the top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations.
- (9) "State Obligations," which means:
 - (A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's or "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - (B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1" by S&P or "P-1" by Moody's.
 - (C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P or "Aa" or better by Moody's.
- (10) Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated "A" or better by S&P and Moody's or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC); or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Agency.
- (11) Investment agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of an insurance company, claims paying ability, of the guarantor is rated at least "A" by S&P and "A" by Moody's.

(12) Forward purchase agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of an insurance company, claims paying ability, of the guarantor is rated at least "A" by S&P and "A" by Moody's. The securities purchased pursuant to such agreement shall be limited to securities which qualify as an Authorized Investment.

(13) State of California Local Agency Investment Fund to the extent any funds to be invested therein by the Trustee are subject to withdrawal by the Trustee directly.

(14) Any other investment approved in writing by the Agency which does not adversely affect the then-current rating on the Bonds.

"Average Annual Debt Service" means the average Bond Year Annual Debt Service over all Bond Years.

"Bond Insurance Policy" means the municipal bond insurance policy or financial guaranty policy, if any, issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a Series of Bonds. The term "Series 2006 Bond Insurance Policy" means the insurance policy issued by the Series 2006 Insurer and guaranteeing the scheduled payment of principal of and interest on the Series 2006 Bonds when due.

"Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the Agency to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. The term "Series 2006 Insurer" means Ambac Assurance Corporation or any successor thereto or assignee thereof. For the purposes of this definition, all consents, approvals or actions required by the Bond Insurer will be unanimous action of all Bond Insurers if there is more than a single Bond Insurer.

"Bond Year" means, (i) with respect to the initial Bond Year for the Series 2011A-T Bonds, the period extending from the date the Series 2006 Bonds are originally delivered to and including September 1, 2011, and (ii) thereafter, each successive twelve month period. Notwithstanding the foregoing, the term Bond Year as used in the Tax Certificate for any Series of Bonds is defined in the manner set forth in such Tax Certificate.

"Bonds" means the Series 2006 Bonds, the Series 2011A-T Bonds and any Additional Bonds.

"Book-Entry Bonds" means Bonds of any Series registered in the name of the Nominee of a Depository as the Owner thereof pursuant to the terms and provisions of the Indenture.

"Broadway/MacArthur/San Pablo Redevelopment Plan" means the redevelopment plan for the Broadway/MacArthur/San Pablo Redevelopment Project of the Agency in Oakland, California, entitled "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.

"Business Day" means any day other than a day which is not a Saturday, a Sunday, or a day on which banks located in the city where the corporate trust office of the Trustee is located are required or authorized to remain closed.

"Capital Appreciation Bonds" means any Bonds described as such when issued.

"Central City East Redevelopment Project" means the redevelopment plan for the Central City East Redevelopment Project of the Agency in Oakland, California, entitled "Central City East Redevelopment Project," adopted and approved by Ordinance 12559 adopted by the Council of the City of Oakland, California on November 18, 2003, as heretofore amended and as may hereafter be amended in accordance with the law.

"Central District Redevelopment Plan" means the redevelopment plan for the Central District Redevelopment Project of the Agency in Oakland, California, entitled "Central District Urban Renewal Plan," adopted and approved by Ordinance No. 7987 adopted by the Council of the City of Oakland, California on June 12, 1969, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 8025 (August 26, 1969), Ordinance No. 8288 (January 21, 1971), Ordinance No. 8816 (June 5, 1973), Ordinance No. 9252 (December 23, 1975), Ordinance No. 9695 (December 12, 1978), Ordinance No. 9780 (June 12, 1979), Ordinance No. 10256 (August 3, 1982), Ordinance No. 10510 (October 2, 1984), Ordinance No. 10594 (June 11, 1985), Ordinance No. 11198 (March 27, 1990), Ordinance No. 11762 (December 20, 1994) and Ordinance No. 12090 (October 27, 1998), together with all further amendments thereto hereafter made in accordance with the Law.

"Closing Date" means, with respect to a Series of Bonds, the date on which such Series of Bonds are delivered to the original purchasers thereof.

"Code" means the Internal Revenue Code of 1986, and any regulations promulgated thereunder.

"Coliseum Area Redevelopment Plan" means the redevelopment plan for the Coliseum Area Redevelopment Project of the Agency in Oakland, California, entitled "The Redevelopment Plan for the Coliseum Area Redevelopment Project," adopted and approved by Ordinance No. 11824 C.M.S. adopted by the Council of the City of Oakland, California on July 25, 1995, as amended the "First Amendment to the Redevelopment Plan for the Coliseum Area Redevelopment Project" adopted and approved by Ordinance No. 12001 adopted by the Council of the City of Oakland, California on July 29, 1997, together with all further amendments thereto hereafter made in accordance with the Law.

"Consultant's Report" means a report signed by an Independent Financial Consultant or an Independent Redevelopment Consultant, as may be appropriate to the subject of the report, and including:

- 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;
- a brief statement as to the nature and scope of the examination or investigation upon which the report is based;
- a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said Independent Financial

Consultant or Independent Redevelopment Consultant to express an informed opinion with respect to the subject matter referred to in the report.

"Continuing Disclosure Certificate" means, with respect to the Series 2011A-T Bonds, the Continuing Disclosure Certificate executed by the Agency and dated the date of issuance and delivery of the Series 2011A-T Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or other evidences of indebtedness secured by the full faith and credit of the United States of America; and also any securities now or hereafter authorized both the interest on and principal of which are guaranteed directly by the full faith and credit of the United States of America, as and to the extent that such securities are eligible for the legal investment of Agency funds.

"First Supplement" means the First Supplemental Indenture, dated as of April 1, 2006, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the Original Indenture.

"Fiscal Year" means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Agency as its Fiscal Year in accordance with the Law and identified in writing to the Trustee.

"Fitch" means Fitch Ratings Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized rating agency selected by the Agency.

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

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Agency, and who, or each of whom:

- is in fact independent and not under the domination of the Agency;
- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

"Independent Financial Consultant" means a financial consultant or firm of such consultants generally recognized to be well qualified in the financial consulting field, appointed and paid by the Agency and who, or each of whom:

- is in fact independent and not under the domination of the Agency;

- does not have any substantial interest, direct or indirect, with the Agency; and
- is not connected with the Agency as a member, officer or employee of the Agency, but who may be regularly retained to make annual or other reports to the Agency.

"Independent Redevelopment Consultant" means a consultant or firm of such consultants generally recognized to be well qualified in the field of consulting relating to tax allocation bond financing by California redevelopment agencies, appointed and paid by the Agency, and who, or each of whom:

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

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor, Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 55 Water Street, New York, New York 10041; or to such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate to the Trustee in writing.

"Interest Payment Date" means each March 1 or September 1 on which interest on any Bonds is scheduled to be paid. The first Interest Payment Date with respect to the Series 2011A-T Bonds will be September 1, 2011.

"Law" means the Community Redevelopment Law of the State of California (being Part 1 of Division 24 of the California Health and Safety Code, as amended), and all laws amendatory thereof or supplemental thereto.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the Agency.

"1988 Senior Resolution" means Agency Resolution No. 88-83, adopted November 1, 1988, which amended and restated Agency Resolution No. 88-71, adopted July 26, 1988.

"1992 Senior Resolution" means Agency Resolution No. 86-30, adopted June 3, 1986, as amended and supplemented by Agency Resolution No. 92-48, adopted July 28, 1992.

"Oak Center Redevelopment Plan" means the redevelopment plan for the Oak Center Redevelopment Project of the Agency in Oakland, California, entitled "Oak Center Urban Renewal Plan," adopted and approved by Ordinance No. 7304 C.M.S. adopted by the Council of the City of Oakland, California on November 30, 1965, as amended by the following ordinance of said Council on the date indicated: Ordinance No. 11761 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Oak Knoll Redevelopment Plan" means the redevelopment plan for the Oak Knoll Redevelopment Project of the Agency in Oakland, California, entitled "Redevelopment Plan for the

"Oakland Army Base Redevelopment Plan" means the redevelopment plan for the Oakland Army Base Redevelopment Project of the Agency in Oakland, California, entitled "Oakland Army Base Redevelopment Plan," adopted and approved by Ordinance No. 12259 adopted by the Council of the City of Oakland, California on July 11, 2000, as heretofore amended and as may hereafter be amended in accordance with the law.

"Original Indenture" means the Indenture dated as of May 1, 2000, by and between the Agency and BNY Western Trust Company, as succeeded by The Bank of New York Trust Company, N.A., as trustee.

"Project" means the undertaking of the Agency pursuant to the Law to increase, improve and/or preserve the supply of low and moderate income housing in the City.

"Project Areas" means, collectively, the territory comprising the Agency's Acorn Redevelopment Project, Broadway/MacArthur/San Pablo Redevelopment Project, Central City East Redevelopment Project, Central District Redevelopment Project, Coliseum Area Redevelopment Project, Oak Center Redevelopment Project, Oak Knoll Redevelopment Project, Oakland Army Base Redevelopment Project, Stanford/Adeline Redevelopment Project and West Oakland Redevelopment Project.

"Project Costs" means the costs of the construction and development of the Project and costs related thereto.

"Redevelopment Plans" means, collectively, the Acorn Redevelopment Plan, Broadway/ MacArthur/San Pablo Redevelopment Plan, Central City East Redevelopment Plan, Central District Redevelopment Plan, Coliseum Area Redevelopment Plan, Oak Center Redevelopment Plan, Oak Knoll Redevelopment Plan, Oakland Army Base Redevelopment Plan, Stanford/Adeline Redevelopment Plan and West Oakland Redevelopment Plan.

"Second Supplement" means the Second Supplemental Indenture, dated as of March 1, 2011, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the Original Indenture.

"Securities Depositories" will mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 277-4039 or 4190; or to such other addresses and/or such other securities depositories as the Agency may designate to the Trustee in writing.

"Senior Annual Debt Service" means, for each Bond Year, the sum of (1) the interest falling due on all Outstanding Senior Bonds in such Bond Year, assuming that all Outstanding

Senior Serial Bonds are retired as scheduled and that all Outstanding Senior Term Bonds, if any, are redeemed from the related sinking account, as may be scheduled, (2) the principal amount of the Outstanding Senior Serial Bonds, if any, maturing by their terms in such Bond Year, (3) the minimum amount of such Outstanding Senior Term Bonds required to be paid or called and redeemed in such Bond Year, and (4) amounts, if any, required to be deposited in the reserve accounts established under the Senior Resolutions.

"Senior Bonds" means, collectively, the Redevelopment Agency of the City of Oakland Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992, issued in the original aggregate principal amount of \$97,655,000, and the Redevelopment Agency of the City of Oakland Acorn Redevelopment Project 1988 Tax Allocation Refunding Bonds issued in the original aggregate principal amount of \$3,375,000 (none of which remain outstanding).

"Senior Resolutions" means, collectively, the 1992 Senior Resolution and the 1988 Senior Resolution.

"Serial Bonds" means Bonds for which no mandatory sinking account payments are provided.

"Series," when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2000T Bonds" means the Agency's Subordinated Housing Set Aside Revenue bonds, Series 2000T (Federally Taxable), initially issued in the aggregate principal amount of \$39,395,000 pursuant to the provisions of the Original Indenture.

"Series 2006 Bonds" means, collectively, the Series 2006A Bonds and the Series 2006A-T Bonds.

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

"Series 2006A Bonds" means the Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A, issued in the initial aggregate principal amount of \$2,195,000.

"Series 2006A-T Bonds" means the Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable), issued in the initial aggregate principal amount of \$82,645,000.

"Series 2006 Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

"Series 2006 Reserve Policy" means the surety bond issued by the Series 2006 Reserve Provider in lieu of the Agency funding the Reserve Account Requirement or any portion thereof.

"Series 2006 Reserve Provider" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company.

"Series 2011A-T Bonds" means the Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T (Federally Taxable), issued in the initial aggregate principal amount of \$46,980,000.

"Series 2011A-T Project Account" means the Account by that name established and held by the Trustee within the Project Fund pursuant to the Second Supplement.

"Sinking Account Installment " means the amount of money required by or pursuant to the Indenture to be paid by the Agency on any single date toward the retirement of any particular Term Bonds of any particular Series on or prior to their respective stated maturities.

"Sinking Account Payment Date" means any date on which Sinking Account Installments on any Series of Bonds are scheduled to be paid.

"Stanford/Adeline Redevelopment Plan" means the redevelopment plan for the Stanford/Adeline Redevelopment Project of the Agency in Oakland, California, entitled "Stanford/Adeline Redevelopment Plan," adopted and approved by Ordinance No. 8791 C.M.S. adopted by the Council of the City of Oakland, California on April 10, 1973, as amended by the following ordinances of said Council on the dates indicated: Ordinance No. 8960 C.M.S. (March 14, 1974) and Ordinance No. 11763 C.M.S. (December 20, 1994), together with all further amendments thereto hereafter made in accordance with the Law.

"Subordinated Housing Set Aside Revenues" means, for each Bond Year, Housing Set Aside Revenues, excluding the amount, if any, of Senior Annual Debt Service paid from Housing Set Aside Revenues in accordance with the Law and the Indenture.

"Supplemental Indenture" means any indenture then in full force and effect which has been entered into by the Agency and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means the Tax Certificate dated the date of the original delivery of each Series of Bonds (except any Series of Bonds which the Agency will certify to the Trustee is not intended to meet the requirements for tax exemption under the Code) relating to the requirements of certain provisions of the Code, as each such certificate may from time to time be modified or supplemented in accordance with the terms thereof. There is no Tax Certificate with respect to the Series 2011A-T Bonds.

"Term Bonds" means Bonds that are payable on or before their specified maturity dates from mandatory sinking account payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means such trustee as may be appointed by the Agency and acting as an independent trustee with the duties and powers provided in the Indenture, and its successors and assigns, or any other corporation or association which may at any time be substituted in its place, as provided in the Indenture.

"Variable Rate Bonds" means Bonds which bear interest at a variable rate of interest.

"West Oakland Redevelopment Project" means the redevelopment plan for the West Oakland Redevelopment Project of the Agency in Oakland, California, entitled "West Oakland Redevelopment Plan," adopted and approved by Ordinance No. 12559 adopted by the Council of the City of Oakland, California on November 18, 2003, as heretofore amended and as may hereafter be amended in accordance with the law.

"Written Request of the Agency" means an instrument in writing signed by the Administrator of the Agency or such officer's deputy or other designee or by any other officer of the Agency duly authorized by the Agency for that purpose.

ISSUANCE OF ADDITIONAL BONDS

By Supplemental Indenture, the Agency may issue Additional Bonds, payable from Subordinated Housing Set Aside Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued. The Series 2011A-T Bonds are Additional Bonds. In order to issue Additional Bonds, the Agency must comply with the provisions set forth in the Indenture and any additional requirements set forth in a Supplemental Indenture, and is subject to the following specific conditions precedent to the issuance of any additional Series of Bonds:

(a) The Agency is in compliance with all covenants set forth in the Indenture and any Supplemental Indentures, and a Certificate of the Agency to that effect is filed with the Trustee.

(b) The issuance of such Additional Bonds has been duly authorized pursuant to the Law and all applicable laws, provided for by a Supplemental Indenture duly executed and delivered by the Agency which specifies the following:

(i) The purpose for which such Additional Bonds are to be issued and the fund or funds into which the proceeds thereof are to be deposited, including a provision requiring the proceeds of such Additional Bonds to be applied solely for (i) the purpose of aiding in financing the Project, including payment of all costs incidental to or connected with such financing, and/or (ii) the purpose of refunding any Bonds or other indebtedness related to the Project, including payment of all costs incidental to or connected with such refunding;

(ii) The authorized principal amount of such Additional Bonds;

(iii) The date and the maturity date or dates of such Additional Bonds; provided that (i) Principal and Sinking Account Payment Dates may occur only on interest Payment Dates, (ii) all such Additional Bonds of like maturity and Series shall be identical in all respects, except as to number, and (iii) fixed serial maturities or mandatory Sinking Account installments, or any combination thereof, shall be established to provide for the retirement of all such Additional Bonds on or before their respective maturity dates;

(iv) The Interest Payment Dates, which are to be on the same semiannual dates as the Interest Payment Dates for the Series 2000T Bonds and the Series 2006 Bonds; provided, that Capital Appreciation Bonds may provide for compounding of interest in lieu of payment of interest on such dates;

- (v) The denomination and method of numbering of such Additional Bonds;
- (vi) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;
- (vii) The amount and due date of each mandatory Sinking Account Installment, if any, for such Additional Bonds;
- (viii) The amount, if any, to be deposited from the proceeds of such Additional Bonds in the Interest Account;
- (ix) The amount, if any, to be deposited from the proceeds of such Additional Bonds into the Reserve Account; provided that the amount on deposit in the Reserve Account shall be increased at or prior to the time such Additional Bonds become Outstanding to an amount at least equal to the Reserve Account Requirement on all then Outstanding Bonds and such Additional Bonds, which amount shall be maintained in the Reserve Account;
- (x) The form of such Additional Bonds; and

(c) The Subordinated Housing Set Aside Revenues (based upon the assessed valuation of taxable property in the Project Areas as shown on the most recently equalized assessment roll and the most recently established tax rates preceding the date of the Agency's execution and delivery of the Supplemental Indenture providing for the issuance of such Additional Bonds plus supplemental assessments for projects which have been completed and will be reflected on the tax roll for the next succeeding Fiscal Year, and projects the ownership of which has changed, all as confirmed by the appropriate officer of the County of Alameda), plus an assumed increase in Subordinated Housing Set Aside Revenues of two percent (2%) (based on the current assessed values, but also taking into account, with respect to each Project Area, (i) the lapsing of the previously approved tax override levied by the City in connection with the long-term funding of the City's pension obligations, (ii) the last date to receive tax increment as set forth in the applicable Redevelopment Plan, and (iii) a reasonable estimate of the date that the tax increment cap, if any, for such Project Area will be met), shall be at least equal to one hundred twenty-five percent (125%) of Annual Debt Service on all then Outstanding Bonds and such Additional Bonds and any unsubordinated loans, advances or indebtedness payable from Subordinated Housing Set Aside Revenues pursuant to the Law for each year that such Outstanding and Additional Bonds and any such unsubordinated loans, advances or indebtedness remain outstanding.

(d) Refunding Bonds may be authorized and issued by the Agency without compliance with paragraph (c) above in an aggregate principal amount sufficient (together with any additional funds available or to become available) to provide funds for the payment of all of the following:

- (i) The principal or redemption price of all Outstanding Bonds to be refunded;
- (ii) All expenses incident to the calling, retiring or paying of such Outstanding Bonds and the costs of issuance of such refunding Bonds; and

(iii) Interest on all Outstanding Bonds to be refunded to the date such Bonds will be called for redemption or paid at maturity.

The proceeds of the sale of the refunding Bonds will be applied by the Trustee according to the direction of the Agency to the retirement of the Outstanding Bonds for the refunding of which said refunding Bonds are to be issued. All Bonds purchased, redeemed or retired by use of funds received from the sale of refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of refunding Bonds, shall be forthwith cancelled and shall not be reissued.

(e) Nothing contained in the Indenture shall limit the issuance of any bonds of the Agency payable from the Subordinated Housing Set Aside Revenues and secured by a lien and charge on the Subordinated Housing Set Aside Revenues if, after the issuance and delivery of such bonds, none of the Bonds theretofore issued under the Indenture will be Outstanding nor will anything contained in the Indenture prohibit the issuance of any bonds or other indebtedness by the Agency secured by a pledge of revenues (including Subordinated Housing Set Aside Revenues) subordinate to the pledge of Subordinated Housing Set Aside Revenues securing the Bonds.

Limitation on Issuance of Senior Bonds. The Agency has covenanted that so long as any Bonds are Outstanding under the Indenture, the Agency will not issue any additional bonds (other than refunding bonds) under the Senior Resolutions or other debt which is payable on a parity with the Senior Bonds and on a priority basis to the Bonds.

PLEDGE OF SUBORDINATED HOUSING SET ASIDE REVENUES

All the Subordinated Housing Set Aside Revenues and all money in the Housing Special Fund and in the funds or accounts so specified and provided for in the Indenture, whether held by the Agency or the Trustee (except the Rebate Fund), are irrevocably pledged to the punctual payment of the interest on and principal of and redemption premiums, if any, on the Bonds, and the Subordinated Housing Set Aside Revenues and such other money will not be used for any other purpose while any of the Bonds remain Outstanding; subject to the provisions of the Indenture permitting application thereof for the purposes and on the terms and conditions set forth in the Indenture. This pledge will constitute a first lien on the Subordinated Housing Set Aside Revenues and such other money for the payment of the Bonds in accordance with the terms thereof.

ESTABLISHMENT OF FUNDS AND ACCOUNTS

The funds and accounts described immediately below are created as special trust funds under the terms of the Indenture. So long as any of the Bonds remain Outstanding, the moneys in these funds will be used for no purposes other than those required or permitted by the Indenture and the Law.

Housing Special Fund

The Indenture establishes a special fund to be known as the "Redevelopment Agency of the City of Oakland Housing Set Aside Special Fund" (the "Housing Special Fund"), which will be held in trust by the Trustee. On or before the Business Day preceding each Interest Payment Date, the Agency will transfer all Subordinated Housing Set Aside Revenues held or received by the Agency to the Trustee for deposit in the Housing Special Fund; provided that the Agency will not be obligated to deposit in the Housing Special Fund in any Bond Year an amount of

Subordinated Housing Set Aside Revenues which, together with other available amounts then in the Housing Special Fund, exceeds the amounts required to be transferred to the Trustee for deposit in the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year pursuant to the Indenture. Any Subordinated Housing Set Aside Revenues received during any Bond Year following deposit in the Housing Special Fund of an amount equal to the aggregate amount required to be transferred to the Interest Account, the Principal Account, the Sinking Account and the Reserve Account in such Bond Year pursuant to the Indenture, will be released from the pledge and lien under the Indenture and may be used for any lawful purposes of the Agency. There will not be deposited with the Trustee any taxes eligible for allocation to the Agency for deposit in the Housing Special Fund pursuant to the Law in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Housing Special Fund and the accounts therein, will be sufficient to discharge all Outstanding Bonds as provided in the Indenture.

The Agency covenants and agrees that all Subordinated Housing Set Aside Revenues deposited in the Housing Special Fund will be accounted for through, and held in trust in the Housing Special Fund, and the Agency will have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Subordinated Housing Set Aside Revenues will nevertheless be disbursed, allocated and applied solely to the uses and purposes set forth in the Indenture, and will be accounted for separately and apart from all other money, funds, accounts or other resources of the Agency.

All moneys in the Housing Special Fund shall be set aside by the Trustee in each Bond Year when and as received in the following respective special accounts within the Housing Special Fund:

- (1) Interest Account;
- (2) Principal Account;
- (3) Sinking Account; and
- (4) Reserve Account.

Interest Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest be-coming due and payable on all Outstanding Bonds on the Interest Payment Dates in such Bond Year. 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 purchased or redeemed prior to maturity).

Principal Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Serial Bonds on the Principal Payment Date in such Bond Year. In the event that there shall be insufficient money in the Housing Special Fund to make in full all such principal payments and Sinking Account Installments required to be made pursuant to the Indenture in

such Bond Year, then the money available in the Housing Special Fund shall be applied pro rata to the making of such principal payments and such Sinking Account Installments in the proportion which all such principal payments and Sinking Account Installments bear to each other.

No deposit need be made into the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds becoming due and payable on the Principal Payment Date in such Bond Year.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they shall become due and payable.

Sinking Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Sinking Account an amount of money equal to the Sinking Account Installment payable on the Sinking Account Payment Date in such Bond Year. All moneys in the Sinking Account shall be used by the Trustee to redeem the Term Bonds in accordance with the Indenture.

Reserve Account. The Trustee shall set aside from the Housing Special Fund and deposit in the Reserve Account an amount of money (or other authorized deposit of security, as described by the following paragraph) equal to the Reserve Account Requirement for each Series of Bonds then Outstanding. No deposit need be made in the Reserve Account so long as there shall be on deposit therein an amount equal to the Reserve Account Requirement of each Series of Bonds then Outstanding. The Reserve Account shall be divided into subaccounts with respect to each Series of Bonds and each subaccount shall be available only for payment of the Series of Bonds to which it relates. All money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account, the Principal Account or the Sinking Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Series of Bonds to which such Reserve Account relates in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Bonds then Outstanding. In the event that there shall be insufficient money in the Housing Special Fund to make in full all required deposits to the subaccounts in the Reserve Account, then the money available in the Housing Special Fund shall be applied pro rata to such subaccounts in the proportion which all the Reserve Requirements for each Series bear to each other. Any amount in the Reserve Account in excess of the Reserve Account Requirement shall, upon Written Request of the Agency, be transferred by the Trustee to the Interest Account or the Principal Account, as directed by the Agency in such Written Request.

In lieu of depositing moneys in the Reserve Account, or in replacement of moneys then on deposit in the Reserve Account, the Agency, with prior written notification to S&P and Moody's, may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having, at the time of such delivery, unsecured debt obligations rated in at least the second highest rating category (without respect to any modifier) of S&P and Moody's, in an amount, together with moneys, Authorized Investments or insurance policies or surety bonds on deposit in the Reserve Fund, equal to the Reserve Account Requirement.

In lieu of depositing moneys in the Reserve Account, or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the Agency upon delivery of an insurance policy or surety bond satisfying the requirements stated below), the Agency, with prior written notification to S&P and Moody's, may also deliver to the Trustee

an insurance policy or surety bond securing an amount, together with moneys, Authorized Investments or letters of credit on deposit in the Reserve Account, no less than the Reserve Account Requirement issued by an insurance company licensed to issue insurance policies guaranteeing the timely payment of debt service on the Bonds and whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies), at the time of such delivery, are rated in at least the second highest rating category (without respect to any modifier) of S&P and Moody's.

Repayment of any draw under any such insurance policy or surety bond, and any expenses and accrued interest related to such draw, including costs incurred pursuant to the Indenture (collectively the "Policy Costs") shall commence in the first month following each such draw, and shall be paid at the time specified in the Indenture in an amount not less than one-twelfth (1/12th) of the aggregate of the Policy Costs related to such draw. If and to the extent that cash has also been deposited in the subaccount of the Reserve Account to which such policy relates, all such cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required hereunder) prior to any drawing under the insurance policy or surety bond, and repayment of any Policy Costs shall be made prior to any replenishment of any such cash amounts.

Amounts on deposit within the Series 2011A-T Reserve Subaccount shall be available to pay debt service only on the Series 2011A-T Bonds in the event that the Subordinated Housing Set Aside Revenues, together with other amounts available under the Indenture, are insufficient to pay such debt service on a timely basis. Amounts on deposit within the Series 2011A-T Reserve Subaccount shall not be able to pay debt service on any other Bonds.

Expense Fund

All moneys in the Expense Fund, which will be held by the Trustee, will be applied to the payment of costs and expenses incurred by the Agency in connection with the authorization, issuance and sale of Bonds and will be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer or other duly authorized representative of the Agency.

Series 2011A-T Expense Account of the Expense Fund. All moneys in the Series 2011A-T Expense Account of the Expense Fund, which will be held by the Trustee, will be applied to the payment of costs and expenses incurred by the Agency in connection with the authorization, issuance and sale of the Series 2011A-T Bonds and will be disbursed by the Trustee upon delivery to the Trustee of a requisition executed by an officer or other duly authorized representative of the Agency. On the earlier of September 8, 2011, or the date of receipt by the Trustee of a Certificate of the Agency signed by the Agency Administrator, the Agency Treasurer or the designee of either, stating that no amounts are required to remain on deposit in the Series 2011A-T Expense Account, all amounts (if any) remaining in the Series 2011A-T Expense Account shall be withdrawn therefrom by the Trustee and be transferred to the Series 2011A-T Project Account of the Project Fund

Project Fund

All moneys in the Project Fund will be applied to the payment of Project Costs and will be disbursed by the Trustee.

Series 2011A-T Project Account of the Project Fund. Pursuant to the Second Supplement, the Trustee will establish a separate account within the Project Fund to be known

as the "Series 2011A-T Project Account", which will be held by the Trustee in trust for the benefit of the Agency. The moneys in the Series 2011A-T Project Account will be maintained separate and apart from other moneys of the Agency. The moneys on deposit in the Series 2011A-T Project Account will be used in the manner provided by the Law solely to finance and refinance loans or programs implemented to increase, improve and/or preserve the supply of low and moderate income housing in the City and to the payment of any unpaid costs of issuance with respect to the Series 2011A-T Bonds. The Agency has covenanted that no funds on deposit in the Series 2011A-T Project Account will be applied for any purpose not authorized by the Law. Prior to their disbursement, amounts on deposit in the Series 2011A-T Project Account of the Project Fund may be invested in any investments in which the Agency is legally able to invest its funds, including Authorized Investments.

The Agency may, in its sole discretion, use amounts on deposit in the Series 2011A-T Project Account to pay debt service on the Series 2011A-T Bonds.

INVESTMENT OF MONEYS IN FUNDS AND ACCOUNTS

Upon the Written Request of the Agency received by the Trustee at least two Business Days prior to the date of such investment, moneys in the Housing Special Fund (and each Account therein), the Expense Fund, the Project Fund and the Rebate Fund will be invested by the Trustee in Authorized Investments. In the absence of such instructions the Trustee will invest in the investments described in clause (8) of the definition of Authorized Investments. The obligations in which moneys in the Housing Special Fund, the Interest Account, the Principal Account or any Sinking Account are so invested will mature prior to the date on which such moneys are estimated to be required to be paid out under the Indenture. The obligations in which moneys in the Reserve Account are so invested will be in obligations maturing no more than five years from the date of purchase by the Trustee or on the final maturity date of the Bonds, whichever date is earlier, provided, however, that if an obligation may be redeemed at par on the Business Day prior to each Interest Payment date during which such obligation is outstanding, such obligation may have any maturity. Any interest, income or profits from the deposits or investments of all funds (except the Expense Fund and Rebate Fund) and accounts will be deposited in the Housing Special Fund. For purposes of determining the amount on deposit in any fund or account held under the Indenture, all Authorized Investments credited to such fund or account will be valued annually at the lower of cost or market (excluding accrued interest and brokerage commissions, if any). Except as otherwise provided in the Indenture, Authorized Investments representing an investment of moneys attributable to any fund or account and all investment profits or losses thereon will be deemed at all times to be a part of said fund or account. Absent negligence or willful misconduct by the Trustee, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.

Except as provided below, the Agency may acquire, or cause the Trustee to acquire, for any Fund or Account established under the Indenture, only the following Authorized Investments without the consent of the Series 2006 Insurer:

(1)(A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"),

(B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United State of America,

(C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America;

(A) Federal Home Loan Mortgage Corporation (FHLMC) (i) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and (ii) Senior debt obligations.

(B) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.

(C) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations.

(D) Federal National Mortgage Association (FNMA) (i) senior debt obligations and (ii) Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

(E) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(F) Financing Corporation (FICO) debt obligations.

(G) Resolution Funding Corporation (REFCORP) debt obligations.

(4) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (1) of the definition of Authorized Investments above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(5) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(6) Bankers acceptances of any bank (including the Trustee) with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or better by Moody's, and "A-1+" by S&P;

(7) Money market funds rated in the top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisor or other management services;

(8) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the highest rating category assigned by such agencies;

(9) State of California Local Agency Investment Fund to the extent any funds to be invested therein by the Trustee are subject to withdrawal by the Trustee directly;

(10) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

All other Authorized Investments, other than as set forth in the next succeeding sentence, shall require the consent of the Series 2006 Insurer (but only for so long as any of the Series 2006 Bonds remain outstanding). Notwithstanding the restriction on Authorized Investments described above, amounts on deposit in the Project Fund, and amounts on deposit in the Reserve Account that are not pledged to the payment of debt service on the Series 2006 Bonds, may be invested in any Authorized Investments without the consent of the Series 2006 Insurer.

CERTAIN COVENANTS

Against Encumbrances. The Agency will not mortgage or otherwise encumber, pledge or place any charge upon any of the Subordinated Housing Set Aside Revenues, except as provided in the Indenture, and will not issue any obligation or security superior to or on a parity with the Bonds payable in whole or in part from the Subordinated Housing Set Aside Revenues (other than Additional Bonds).

Extension or Funding of Claims for Interest. In order to prevent any claims for interest after maturity, the Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest is extended or funded, whether or not with the consent of the Agency, such claim for interest so extended or funded will 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 have not been so extended or funded.

Management and Operation of Project. The Agency will manage and operate any part of the Project in a sound and business-like manner and in conformity with all valid requirements

of any governmental authority relative to the Project or any part thereof, and will keep such properties insured at all times in conformity with sound business practice.

Books and Accounts; Financial and Project Statements. The Agency will keep proper books of record and accounts, separate from all other records and accounts of the Agency, in which complete and correct entries will be made of all transactions relating to the Project Areas. Such books of record and accounts will at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less than 10% of the aggregate principal amount of the Bonds then Outstanding or their representatives authorized in writing.

The Agency will prepare and file with the Trustee annually as soon as practicable, but in any event not later than the earlier of 240 days after the close of each Fiscal Year, so long as any Bonds are Outstanding, an audited financial statement relating to the Subordinated Housing Set Aside Revenues and all other funds or accounts established pursuant to the Indenture for the preceding Fiscal Year prepared by an Independent Certified Public Accountant, showing the balances in each such fund as of the beginning of such Fiscal Year and all deposits in and withdrawals from each such fund during such Fiscal Year and the balances in each such fund as of the end of such Fiscal Year, which audited financial statement will include a statement as to the manner and extent to which the Agency and the Trustee have complied with the provisions of the Indenture as it relates to such funds. The Trustee, at the expense of the Agency, will furnish a copy of such audited financial statement to any Owner upon written request. The Trustee will provide such statements with regard to any funds held by the Trustee under the Indenture to the Agency as the Agency may reasonably require to comply with the terms of this provision.

Payment of Taxes and Other Charges. Subject to the provisions of the Indenture, the Agency will pay and discharge all taxes, service charges, assessments and other governmental charges that may be lawfully imposed upon the Agency or any properties owned by the Agency in the Project Areas, or upon the revenues therefrom, when the same becomes due; provided that nothing contained in the Indenture will require the Agency to make any such payments so long as the Agency in good faith contests the validity of any such taxes, service charges, assessments or other governmental charges.

Taxation of Leased Property. Whenever any property in the Project is redeveloped by the Agency and thereafter is leased by the Agency to any person or persons, or whenever the Agency leases any real property in the Project to any person or persons for redevelopment, the property will be assessed and taxed in the same manner as privately-owned property (in accordance with the Law), and the lease or contract provides (1) that the lessee will pay taxes upon the assessed value of the entire property and not merely upon the assessed value of the leasehold interest, and (2) that if for any reason the taxes paid by the lessee on such property in any year during the term of the lease are less than the taxes that would have been payable upon the entire property if the property were assessed and taxed in the same manner as privately-owned property, the lessee will pay such difference to the Agency within 30 days after the taxes for such year become payable, and in any event prior to the delinquency date of such taxes established by law, which such payments will be treated as tax increment revenues.

Disposition of Property in Project Areas. Except as provided below, the Agency will not authorize the disposition of any real property in the Project Areas that will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plans in effect on the date of execution and delivery of the Indenture, or property to be used for public streets or

public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such disposition, together with all similar prior dispositions on or subsequent to the effective date of the Indenture, will (i) in the aggregate, exceed 10% of the assessed valuation of the property in the Project Areas, or (ii) cause the amount of projected Subordinated Housing Set Aside Revenues in the succeeding Fiscal Year to be less than 125% of Maximum Annual Debt Service. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Indenture, comprises more than 10% of the land area in the Project Areas, it will cause to be filed with the Trustee a Consultant's Report on the effect of such proposed disposition. If the Consultants Report concludes that the Subordinated Housing Set Aside Revenues will not be materially reduced by such proposed disposition, the Agency may proceed with, such proposed disposition. If the Consultant's Report concludes that Subordinated Housing Set, Aside Revenues will be materially reduced by such proposed disposition, the Agency will not proceed with such proposed disposition unless, as a condition precedent to such proposed disposition, the Agency requires that such new owner or owners either.

- Pay to the Agency, so long as any of the Bonds are Outstanding, an amount equal to the amount that would have been received by the Agency as Subordinated Housing Set Aside Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment will be made within 30 days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or
- Pay to the Agency a single sum equal to the amount estimated and certified to the Agency by an Independent Redevelopment Consultant to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds, less a reasonable discount value.

All such payments to the Agency in lieu of taxes will be treated as Subordinated Housing Set Aside Revenues and shall be transferred by the Agency to the Trustee to be deposited by the Trustee in the Housing Special Fund.

Amendment of Redevelopment Plans. If the Agency proposes to amend the Redevelopment Plans, it will cause to be filed with the Trustee a Consultant's Report on the effect of such proposed amendment. If the Consultant's Report concludes that Subordinated Housing Set Aside Revenues will not be materially reduced by such proposed amendment, the Agency may adopt such amendment. If the Consultant's Report concludes that Subordinated Housing Set Aside Revenues will be materially reduced by such proposed amendment, the Agency will not adopt such proposed amendment. The Trustee will be entitled to rely upon any said Report and will have no duty to verify the information or statements set forth therein.

Subordinated Housing Set Aside Revenues. The Agency will comply with all requirements of the Law to insure the allocation and payment to the Agency of the Subordinated Housing Set Aside Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of Alameda County.

Central District Redevelopment Project Plan Limits. In order to ensure the timely payment of the principal of and interest on the Bonds, the Agency hereby covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue and Housing Set Aside Revenues remaining available to be received by the Agency

under the Central District Redevelopment Plan (excluding, for purposes of the calculations set forth in this paragraph, any tax increment revenue or Housing Set Aside Revenues derived from the portion of the Central District Redevelopment Project that was added by the amendment to the Central District Redevelopment Plan in 2002) as well as (i) future cumulative Annual Debt Service allocated to the Central District Redevelopment Project, which shall be deemed to be 45.52% of Annual Debt Service through and including the Bond Year ending September 1, 2022, (ii) payments on any obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are senior to the payment of the Bonds, and (iii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are subordinate to the Bonds.

If, based on such review, the allocation of Housing Set Aside Revenues derived from the Central District Redevelopment Project to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to ninety-five (95%) of the Housing Set Aside Revenues remaining to be collected under the tax increment cap set forth in the Central District Redevelopment Plan to fall below the sum of (i) remaining cumulative Annual Debt Service, (ii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are senior to the Bonds, and (iii) payments on obligations of the Agency payable from Housing Set Aside Revenues derived from the Central District Redevelopment Project that are subordinate to the Bonds, the Agency shall adopt a plan approved by an Independent Redevelopment Consultant that demonstrates the Agency's continuing ability to pay debt service on the Bonds on a timely basis. Such plan may include, among other actions, escrowing Housing Set Aside Revenues to be used to pay debt service on the Bonds, defeasing or redeeming the Bonds, or reducing the amount of tax increment being claimed with respect to the Central District Redevelopment Project. In the event that the Agency elects to escrow Housing Set Aside Revenues or defease or redeem Bonds, the Agency shall thereafter pay no more than 45.52% of current debt service on the Bonds from Housing Set Aside Revenues derived from the Central District Redevelopment Project until such escrowed amounts are used to redeem or otherwise pay Bonds.

In the event that the Agency determines to defease Bonds, such defeasance shall be accomplished as provided in the Indenture. Further, in the event the Agency elects to defease or redeem Bonds, the Agency shall notify Moody's and S&P. The Agency shall also provide a copy of such plan to the Moody's and S&P.

AMENDMENT OF THE INDENTURE

The Indenture and the rights and obligations of the Agency and of the Owners may be amended at any time by a Supplemental Indenture that becomes binding when the written consents of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, and the written consent of the Bond Insurer, if any, are filed with the Trustee. No such amendment will (1) extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Agency to pay the interest or principal or redemption premium, if any, at the time and place and at the rate and in the currency provided in the Indenture of any Bond, without the express written consent of the Owner of such Bond, or (2) permit the creation by the Agency of any mortgage, pledge or lien upon the Subordinated Housing Set Aside Revenues superior to or on a parity with the pledge and lien created in the Indenture for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify the rights or obligations of the Trustee without its prior written assent thereto.

The Indenture and the rights and obligations of the Agency and of the Owners may also be amended at any time, with the consent of the Bond Insurer (which consent shall not be required for a supplemental indenture for Additional Bonds issued under the Indenture), by a Supplemental Indenture that becomes binding upon execution, without the consent of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

- To add to the covenants and agreements of the Agency contained in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power in the Indenture reserved to or conferred upon the Agency;
- 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 regard to questions arising under the Indenture, as the Agency may deem necessary or desirable and not inconsistent with the Indenture, and which will not materially adversely affect the interest of the Owners;
- To provide for the issuance of any Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Article in the Indenture relating to the issuance of additional bonds;
- To modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which will not materially adversely affect the interests of the Owners of the Bonds;
- To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to any Bonds that the Agency certifies to the Trustee are not intended to qualify for such exclusion);
- To the extent necessary to obtain a Bond Insurance Policy, to obtain a rating on the Bonds or in connection with satisfying all or a portion of the Reserve Account Requirement by crediting a letter of credit or Bond Insurance Policy to the Reserve Account; or
- For any other purpose that does not materially adversely affect the interests of the Owners.

DEFAULTS AND REMEDIES

Events of Default. The following events constitute "Events of Default" under the Indenture:

- default is made in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by declaration or otherwise;

- default is made in the due and punctual payment of the interest on any Bond when and as the same becomes due and payable;
- default is made by the Agency in the observance of any of the agreements, conditions or covenants on its part contained in the Indenture or in the Bonds, and such default has continued for a period of 30 days after the Agency has been given notice in writing of such default by the Trustee; provided, however, that such default will not constitute an Event of Default under the Indenture if the Agency commences to cure such default within said 30-day period and thereafter diligently and in good faith proceeds to cure such default within a reasonable period of time; or
- the Agency files a petition or answer 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 approves a petition, filed with or without the consent of 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 assumes custody or control of the Agency or of the whole or any substantial part of its property.

Acceleration of Maturities. During the continuance of an Event of Default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, will, by notice in writing to the Agency, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same becomes immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding; provided, however, that any such declaration will be subject to the prior written consent of the Bond Insurer, if any. However, if at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the Agency deposits 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 at the rate of interest which would have been paid on such overdue principal on such overdue installments of principal and interest, and the expenses of the Trustee, including attorneys fees, 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) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, 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; provided, however, that no such rescission or annulment will occur without the prior written consent of the Bond Insurer, if any. No such rescission and annulment will extend to or affect any subsequent default, or impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All money in the funds and accounts provided for in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture, and all Subordinated Housing Set Aside Revenues thereafter received by the Agency there-under, will be transmitted to the Trustee and applied by the Trustee in the following order.

- first, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its agents and counsel, to the payment of any other amounts then due and payable to the Trustee, including any predecessor trustee, with respect to or in connection with the Indenture, whether as compensation, reimbursement, indemnification or otherwise, and to the payment of the costs and expenses of the Owners in providing for the declaration of such event of default, including reasonable compensation to their agents and counsel; and
- second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on the overdue interest and principal at the rate of interest which would have been paid on such overdue principal, and in case such money is insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal, ratably to the aggregate of such interest, principal and interest on overdue interest and principal; provided that the amounts in each subaccount of the Reserve Account will be applied only to the payment of the Series of Bonds to which such subaccount relates.

Other Remedies of Owners. Any Owner, subject to the conditions set forth in the Indenture, will have the right for the equal benefit and protection of all Owners similarly situated:

- By mandamus or other suit or proceeding at law or in equity to enforce such Owner's rights against the Agency and any of the members, officers and employees of the Agency, and to compel the Agency or any such members, officers or employees to perform and carry out their duties under the Law and their agreements with the Owners as provided in the Indenture;
- By suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Owners; or
- Upon the happening of an event of default, by a suit in equity to require the Agency and its members, officers and employees to account as the trustee of an express trust.

Bond Insurer to Direct Default Proceedings. Notwithstanding any other provision of the Indenture, so long as a Bond Insurance Policy is in effect and the Bond Insurer is not in default in its obligations thereunder with respect to any Series of Bonds, the Bond Insurer will have the right to direct any default proceedings with respect to such Series of Bonds; provided, that if there is more than one Bond Insurer or if any Series of Bonds (or portion thereof) is not covered by a Bond Insurance Policy, then each Bond Insurer will have the right to direct default proceedings only as if it were the Owner of the Bonds which its Bond Insurance Policy covers.

DISCHARGE OF INDEBTEDNESS

If the Agency pays or causes to be paid, or there is otherwise paid, to the Owners of all Outstanding Bonds the interest due thereon and the principal thereof, at the times and in the manner stipulated therein and in the Indenture, then the Owners of such Bonds will cease to be

entitled to the pledge of Subordinated Housing Set Aside Revenues, and all covenants, agreements and other obligations of the Agency to the Owners of such Bonds under the Indenture will thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee will execute, at the Written Request of the Agency, and at its expense, and deliver to the Agency all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee will, after payment of amounts due the Trustee, any Bond Insurer and any reserve facility provider (including the Series 2006 Reserve Provider as issuer of the Series 2006 Reserve Policy) under the Indenture, pay over or deliver to the Agency all money or securities held by them pursuant to the Indenture which are not required for the payment of the interest due on and the principal of such Bonds other than the moneys, if any, in the Rebate Fund.

Any Outstanding Bonds will prior to the maturity date thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there will have been deposited with or delivered to the Trustee, or another fiduciary or escrow agent, (i) either money in an amount which will be sufficient, or Federal Securities (including any Federal Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and the interest on which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the interest due and to become due on such Bonds on and prior to the maturity date thereof or such earlier redemption date as will be irrevocably established, and the principal of and redemption premium, if any, on such Bonds (the sufficiency of such amounts to be appropriately verified by a report of an Independent Certified Public Accountant), (ii) an escrow agreement entered into by the Agency and the Trustee or other fiduciary or escrow agent, acceptable in form and substance to the applicable Bond Insurer, (iii) irrevocable instructions, in form satisfactory to the Trustee, to mail, as soon as practicable, a notice to the Owners of such Bonds that the deposit required by (1) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or earlier redemption date upon which money is to be available for the payment of the principal of such Bonds, and (iv) an opinion of nationally recognized bond counsel to the effect that such Bonds are no longer Outstanding under the Indenture.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for two years after the date when such Bonds or interest thereon have become due and payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds or interest thereon become due and payable, will be repaid by the Trustee to the Agency, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Bond Owners will look only to the Agency for the payment of such Bonds; provided, however, that before being required to make any such payment to the Agency, the Trustee will, at the expense of the Agency, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the registration books of the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Agency.

THE TRUSTEE

The Trustee is generally required to receive all money that the Agency is required to deposit with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Agency, but only prior to an Event of Default, with 30 days prior written notice, remove the Trustee; provided, that any such successor will be a bank or trust company doing business in California, having a combined capital (exclusive of borrowed capital) and surplus of at least \$50,000,000, and subject to supervision or examination by federal or state authority. If such bank or trust company 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 purposes of the Indenture the combined capital and surplus of such bank or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Agency, and upon receiving such notice of resignation, the Agency will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within 30 days of the giving of notice of removal or notice of resignation as aforesaid, the resigning Trustee may petition any court of competent jurisdiction 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 in connection with such resignation will give notice to the Owners of its appointment.

APPENDIX D
PROPOSED FORM OF BOND COUNSEL OPINION

March __, 2011

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

OPINION: \$46,980,000 Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2011A-T (Federally Taxable)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Oakland (the "Agency") of its \$46,980,000 principal amount Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T (Federally Taxable) (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on March 1, 2011, and an Indenture dated as of May 1, 2000, between the Agency and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture dated as of April 1, 2006 and a Second Supplemental Indenture dated as of March 1, 2011 (collectively, the "Indenture"), both between the Agency and the Trustee. We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, the Series 2006 Bonds and any other Additional Bonds (as such terms are defined in the Indenture), subject to the prior lien granted to the Senior Bonds under the Senior Resolutions (as such terms are defined in the Indenture).

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable, on a parity with the Series 2006 Bonds and any other Additional Bonds, solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

To ensure compliance with requirements imposed by the Internal Revenue Service, we inform owners of the Bonds that any U.S. federal tax advice contained in this opinion is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
**REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
SUBORDINATED HOUSING SET ASIDE
REVENUE BONDS, SERIES 2011A-T
(Federally Taxable)**

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND (the "Agency") in connection with the issuance of the bond captioned above (the "Bonds") pursuant to an indenture dated as of May 1, 2000, by and between the Agency and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented to date, and as further supplemented by a Second Supplemental Indenture dated as of March 1, 2011 (collectively, the "Indenture"), by and between the Agency and the Trustee.

The Agency covenants and agrees as follows:

1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Annual Report Date" means the date that is nine months after the end of the Agency's Fiscal Year (currently March 31 based on the Agency's fiscal year end of June 30).

"Dissemination Agent" means the Agency or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

"Listed Events" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Official Statement" means the final official statement executed by the Agency in connection with the issuance of the Bonds.

“Participating Underwriter” means, collectively, E. J. De La Rosa & Co., Inc. and Stone & Youngberg LLC, the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2011, with the report for the 2009-10 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate; **provided, however, that the first Annual Report due on March 31, 2011, shall consist solely of a copy of the Official Statement.** Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Agency hereunder.

(b) If the Agency does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Agency shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The Agency's Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the Agency for the preceding Fiscal Year, substantially similar to that provided in the corresponding tables and sections in the Official Statement:

(i) Table 1, entitled "Redevelopment Agency of the City of Oakland (All Project Areas Combined) Taxable Value History,"

(ii) Table 2, entitled "Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenues History by Redevelopment Project Area,"

(iii) Table 3, entitled "Redevelopment Agency of the City of Oakland (All Project Areas Combined) Top Ten Taxpayers,"

(iv) Table 7, entitled "Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Ten Largest Taxpayers,"

(v) Table 9, entitled "Redevelopment Agency of the City of Oakland, All Project Areas Excluding Central District and Acorn, Top Ten Taxpayers," and

(vi) The section entitled "THE PROJECT AREAS – Outstanding Appeals for Reduction of Assessed Valuation – Current Appeals History.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

5. Reporting of Significant Events.

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue

(IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Agency or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the Agency or an obligated person, or the sale of all or substantially all of the assets of the Agency or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall, or shall cause the Dissemination Agent (if not the Agency) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The Agency acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The Agency shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the Agency determines the event's occurrence is material for purposes of U.S. federal securities law.

6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

7. Termination of Reporting Obligation. The obligations of the Agency under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate; and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Agency to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

9. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Trustee nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the Agency under this Disclosure Certificate.

11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Date: _____, 2011

REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Redevelopment Agency of the City of Oakland

Name of Issue: Redevelopment Agency of the City of Oakland
 Subordinated Housing Set Aside Revenue Bonds,
 Series 2011A-T (Federally Taxable)

Date of Issuance: _____, 2011

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the Redevelopment Agency of the City of Oakland, California (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Second Supplemental Indenture dated as of March 1, 2011, 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 F

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 securities (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. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is

a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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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