

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 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes under current state law. See "TAX MATTERS" herein.

\$102,960,000
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION REFUNDING BONDS, SERIES 2013

Dated: Date of Delivery

Due: September 1, as shown on inside cover page

This cover page of the Official Statement contains certain information for quick reference only. It is not a complete summary of the above-referenced bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Attention is hereby directed to certain risk factors more fully described herein.

The above-referenced bonds (the "Series 2013 Bonds") are being issued by the Oakland Redevelopment Successor Agency (the "Agency") to: (i) refund the \$120,605,000 aggregate principal amount of Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 and the \$44,360,000 aggregate principal amount of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005, each previously issued by the Redevelopment Agency of the City of Oakland (the "Prior Agency"); and (ii) pay the costs associated with the issuance of the Series 2013 Bonds. See "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2013 Bonds are issued pursuant to an Indenture of Trust, dated as of January 1, 2003, as heretofore supplemented and amended, including by a Fourth Supplemental Indenture of Trust, dated as of September 1, 2013 (as so supplemented and amended, the "Indenture"), between the Agency and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") to BNY Western Trust Company.

The Series 2013 Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series 2013 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Principal of and interest on the Series 2013 Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2013 Bonds, which in turn is obligated to remit such principal and interest to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2013 Bonds. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2013 Bonds, all notices, will be mailed only to Cede & Co. See APPENDIX H — "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Interest on the Series 2013 Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2014, as described herein. Principal of the Series 2013 Bonds is payable on the dates and in the respective principal amounts set forth on the inside cover page.

The Series 2013 Bonds are not subject to redemption prior to their stated maturities.

The Series 2013 Bonds are payable from and secured by Tax Revenues (as defined herein), consisting primarily of tax increment derived from property in the Project Area (defined herein) and allocated to the Agency pursuant to the Redevelopment Law (as defined herein). No funds or properties of the Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the Series 2013 Bonds. **The pledge of Tax Revenues to secure the Series 2013 Bonds is subordinate to a pledge thereof to secure the Prior Agency's Central District Redevelopment Project, Senior Tax Allocation Bonds, Series 1992 and on a parity with the pledge thereof to secure other bonds and parity debt previously issued or to be issued pursuant to the terms of the Indenture, including the Prior Agency's Central District Redevelopment Project Series 2006T and Series 2009T Bonds (each defined herein).** See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS." For a discussion of some of the risks associated with the purchase of the Series 2013 Bonds, see "CERTAIN RISK FACTORS." For a discussion of certain recent limitations regarding the collection of Tax Revenues, see "CERTAIN RISK FACTORS – Recognized Obligation Payment Schedule" and "– AB 1484 Penalty for Failure to Remit Unencumbered Funds."

THE SERIES 2013 BONDS ARE NOT A DEBT OF THE CITY OF OAKLAND (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, THE SERIES 2013 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2013 BONDS DO NOT CONSTITUTE 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 2013 BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2013 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

The Series 2013 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. Curls Bartling P.C., Oakland, California, is serving as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Oakland in her capacity as Agency Counsel and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as counsel to the Underwriters. Urban Futures Inc., Orange, California, is serving as financial advisor to the Agency. It is anticipated that the Series 2013 Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about October 3, 2013.



MATURITY SCHEDULE

\$102,960,000
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION REFUNDING BONDS, SERIES 2013

(Base CUSIP[†] No.: 67232T)

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP
2014	\$ 5,400,000.00	3.00 %	0.63%	102.149	AA3
2015	11,985,000.00	5.00	0.96	107.631	AB1
2016	12,585,000.00	5.00	1.48	109.992	AC9
2017	13,210,000.00	5.00	1.89	111.670	AD7
2018	6,940,000.00	4.00	2.42	107.273	AE5
2018	6,935,000.00	5.00	2.42	111.876	AF2
2019	14,495,000.00	5.00	2.74	112.253	AG0
2020	12,690,000.00	5.00	3.04	112.132	AH8
2021	14,590,000.00	5.00	3.38	111.160	AJ4
2022	4,130,000.00	5.00	3.66	110.107	AK1

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by the CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Agency nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

AGENCY BOARD AND CITY COUNCIL

Dan Kalb (District 1)
Agency Member and City Councilmember
Patricia Kernighan (District 2)
Agency Chair and President of City Council
Lynette Gibson McElhaney (District 3)
Agency and Councilmember
Libby Schaaf (District 4)
Agency Member and Councilmember
Noel Gallo (District 5)
Agency Member and Councilmember
Desley Brooks (District 6)
Agency Member and Councilmember
Larry Reid, Jr. (District 7)
Agency Member and Vice-Mayor
Rebecca Kaplan (At-Large)
Agency Member and Councilmember (President Pro Tem)

AGENCY AND CITY STAFF

Jean Quan, *Agency Chief Executive Officer and Mayor*
Deanna V. Santana, *Agency Administrator and City Administrator*
Scott P. Johnson, *Agency Treasurer and Assistant City Administrator*
LaTonda Simmons, *Agency Secretary and City Clerk*
Courtney A. Ruby, *City Auditor*
Barbara J. Parker, *Agency Counsel and City Attorney*
Katano Kasaine, *City Treasurer*

SPECIAL SERVICES

Urban Futures Inc.
Orange, California
Financial Advisor

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

Jones Hall, A Professional Law Corporation
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Bond Counsel

Curly Bartling P.C.
Oakland, California
Disclosure Counsel

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

Grant Thornton LLP
Minneapolis, Minnesota
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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 2013 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 will there be any sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed to be a contract with the purchasers of the Series 2013 Bonds.

The information set forth herein has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable, and the Agency and the 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 will under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2013 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

The Series 2013 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 2013 Bonds have not been registered or qualified under the securities laws of any state.

In connection with the offering of the Series 2013 Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Series 2013 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 2013 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.

The City maintains a website at <http://www.oaklandnet.com>. However, the information presented there is not a part of this Official Statement and is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2013 Bonds.



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\$102,960,000
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
CENTRAL DISTRICT REDEVELOPMENT PROJECT
SUBORDINATED TAX ALLOCATION REFUNDING BONDS, SERIES 2013

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2013 Bonds being offered, and a full review should be made of the entire Official Statement including the cover page, the table of contents and the appendices for a more complete description of the terms of the Series 2013 Bonds. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of provisions of, any other documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions of such documents.

General

The purpose of this Official Statement, including the cover page and the appendices hereto, is to furnish information in connection with the sale and delivery of the \$102,960,000 Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the “**Series 2013 Bonds**”) to be issued by the Oakland Redevelopment Successor Agency (the “**Agency**”).

Authority and Purpose

The Series 2013 Bonds are issued pursuant to the Constitution and the laws of the State of California (the “**State**”), including Article 11 (commencing with Section 53580 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the “**Bond Law**”), Section 34177.5 of the Redevelopment Law (defined below), and an Indenture of Trust, dated as of January 1, 2003, by and between the Prior Agency (defined below) and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as supplemented and amended by a First Supplemental Indenture of Trust, dated as of February 1, 2005, a Second Supplemental Indenture of Trust, dated as of November 1, 2006, and a Third Supplemental Indenture of Trust, dated as of May 1, 2009, each by and between the Prior Agency and the Trustee, and a Fourth Supplemental Indenture of Trust (the “**Fourth Supplemental Indenture**”), dated as of September 1, 2013 (collectively, the “**Indenture**”), between the Agency and the Trustee. The Agency has succeeded to all of the Prior Agency’s rights, obligations, covenants and liabilities under the Indenture.

The Series 2013 Bonds are being issued to (i) refund the Redevelopment Agency of the City of Oakland’s (the “**Prior Agency**”) Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2003 (the “**Series 2003 Bonds**”) and its Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005 (the “**Series 2005 Bonds**”, and together with the Series 2003 Bonds, the “**Refunded Bonds**”); and (ii) pay the costs associated with the issuance of the Series 2013 Bonds. See “REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.” The Series 2003 Bonds and Series 2005 Bonds were issued to finance certain redevelopment activities within the Project Area (defined below) and, with respect to the Series 2003 Bonds, to also refund the Prior Agency’s Central District Redevelopment Project Tax Allocation Bonds, Series 1989A, Central District Redevelopment Project, Subordinated Tax Allocation Refunding Bonds, Series 1992A, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 1993A, and Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 1995A (City Administration Facility), all of which were issued for the purpose of financing or refinancing redevelopment activities within the Project Area.

The Prior Agency

The Prior Agency was created by the City Council (the “**City Council**”) of the City of Oakland (the “**City**”) on October 11, 1956, by adoption of Resolution No. 35000, C.M.S., to exercise the powers granted by the California Community Redevelopment Law (Sections 33000 et seq. of the California Health and Safety Code) (the “**Redevelopment Law**”).

On June 29, 2011, Assembly Bill No. 26 (“**AB 1X 26**”) was enacted as Chapter 5, Statutes of 2011, together with a companion bill, Assembly Bill No. 27 (“**AB 1X 27**”). AB 1X 26 dissolved redevelopment agencies in the State of California subject to the option of opting into a new redevelopment agency scheme provided for in AB 1X 27. A lawsuit was brought in the California Supreme Court, *California Redevelopment Association, et al. v. Matosantos, et al.*, 53 Cal. 4th 231 (Cal. Dec. 29, 2011) (the “**California Redevelopment Association case**”), challenging the constitutionality of AB 1X 26 and AB 1X 27. The California Supreme Court largely upheld AB 1X 26, invalidated AB 1X 27, and held that AB 1X 26 may be severed from AB 1X 27 and enforced independently. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies.

The primary provisions enacted by AB 1X 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 (“**AB 1484**”), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the “**Dissolution Act**”).

On January 10, 2012, pursuant to Resolution No. 83679 C.M.S. and Sections 34171(j) and 34173 of the Dissolution Act, the City Council elected for the City to serve as successor agency to the Prior Agency. On July 17, 2012, pursuant to provisions in the Dissolution Act amended by AB 1484, the City Council created the Oakland Redevelopment Successor Agency. See “OAKLAND REDEVELOPMENT SUCCESSOR AGENCY.”

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 Interstates 80, 580, 880 and 980, and boasts a world-class seaport.

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

The Project Area

The Project Area encompasses approximately 828 acres, and contains the City's downtown commercial district, as well as residential and public areas. The Project Area consists of the Original Project Area, the 1982 Amendment Area and the 2002 Amendment Area (each as defined herein). See “THE PROJECT AREA” and APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

The Series 2013 Bonds

The Series 2013 Bonds will be dated the date of their initial issuance and delivery, will be issued in fully registered, book-entry form in denominations of \$5,000 or any integral multiple thereof and are redeemable as set forth in the Indenture and summarized herein. Each Series 2013 Bond will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year (each, an “**Interest Payment Date**”), commencing March 1, 2014, and will mature on the dates and in the amounts set forth on the inside cover page hereof. See “THE SERIES 2013 BONDS.”

The Series 2013 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2013 Bonds. Individual purchases of the Series 2013 Bonds will be made in book entry form only. Principal of, premium, if any, and interest on, the Series 2013 Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2013 Bonds. Upon receipt of payments of principal, premium, if any, and interest, DTC is to remit such principal, premium, if any, and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2013 Bonds. Purchasers will not receive certificates representing the Series 2013 Bonds purchased by them. See APPENDIX H – “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

Security and Sources of Payment for the Series 2013 Bonds

Prior to the enactment of AB 1X 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. Tax Revenues (as defined under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – General”) consist of a portion of such incremental tax revenues.

The Dissolution Act authorizes refunding bonds, including the Series 2013 Bonds, to be secured by a pledge of the same revenues pledged to the bonds being refunded, and to be payable from and further secured by moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the “**Redevelopment Property Tax Trust Fund**”), which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects. **DISCUSSIONS HEREIN REGARDING TAX INCREMENT REVENUES NOW REFER TO THOSE MONEYS DEPOSITED BY THE COUNTY-AUDITOR INTO THE REDEVELOPMENT PROPERTY TAX TRUST FUND.**

Pursuant to the Dissolution Act, the pledge relating to the Series 2013 Bonds shall have the same lien priority as the pledge relating to the Refunded Bonds and shall be valid, binding and enforceable in accordance with their terms. The Dissolution Act further provides that bonds authorized thereunder to be issued by a successor agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized under the Dissolution Act are taxes allocated to the agency pursuant to the provisions of the Redevelopment Law and the State Constitution which provided for the allocation of tax

increment revenues under the Redevelopment Law. Moneys deposited into the Redevelopment Property Tax Trust Fund include funds formerly required to be deposited into the Prior Agency's Low and Moderate Income Housing Fund and funds that are the equivalent of tax increment revenues from the Agency's other redevelopment project areas. Such moneys are not Tax Revenues and are not pledged under the Indenture to pay the Series 2013 Bonds. However, Section 33177.5(g) of the Dissolution Act provides that the Series 2013 Bonds shall also "be secured by a pledge of, and lien on, and shall be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund." The Agency makes no assurance as to the availability of the former housing moneys or the tax increment from any of its other project areas to pay principal or interest on the Series 2013 Bonds or that property tax revenues generated by a project area other than the Project Area will be deposited into the Special Fund. The commingling of tax increment revenues from multiple project areas within the Redevelopment Property Tax Trust Fund may adversely affect the interest of other taxing entities. Investors should assume that the Series 2013 Bonds are secured by and payable solely from the Tax Revenues and moneys in the Special Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Allocation of Taxes" and "– Tax Revenues."

Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described above. See "CERTAIN RISK FACTORS."

The Dissolution Act requires the Alameda County Auditor-Controller (the "**County Auditor-Controller**") to determine the amount of property taxes that would have been allocated to the Prior Agency had the Prior Agency not been dissolved pursuant to the operation of AB 1X 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency's Recognized Obligation Payment Schedule (as defined and described herein). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Recognized Obligation Payment Schedules."

Subject to the prior pledge and first lien of the Senior Bonds (as defined herein), the Series 2013 Bonds, together with the Series 2009T Bonds and the Series 2006T Bonds (each defined below and, collectively with the Series 2013 Bonds, the "**Bonds**") are payable from and secured by the Tax Revenues to be derived from the Project Area, all of the moneys in the Special Fund (established under the Indenture) of the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account (to the extent that amounts on deposit therein or in a subaccount established therein are pledged to the payment of debt service on a particular series of Bonds), and the Redemption Account therein) established and held by the Trustee under the Indenture, all as more fully set forth in the Indenture. See "– Outstanding Senior and Parity Debt," below and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Tax Revenues." Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency's Recognized Obligation Payment Schedules in accordance with the

requirements of the Dissolution Act. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Recognized Obligation Payment Schedules.” Moneys deposited by the County Auditor-Controller into the Agency’s Redevelopment Obligation Retirement Fund representing Tax Revenues will first be deposited by the Agency in the Special Fund and will then be transferred by the Agency to the Trustee for deposit in the Debt Service Fund established under the Indenture and administered by the Trustee in accordance with the Indenture.

The Project Area and the real and personal property therein does not serve as security for the Series 2013 Bonds.

Outstanding Senior and Parity Debt

The pledge of Tax Revenues securing the Series 2013 Bonds is subordinate to the pledge thereof securing the Prior Agency's Central District Redevelopment Project, Senior Tax Allocation Refunding Bonds, Series 1992 (the “**Senior Bonds**”). The Senior Bonds are currently outstanding, as of September 1, 2013, in the principal amount of \$6,680,000, and have a final maturity date of February 1, 2014. The Series 2013 Bonds are being issued on a parity with the Prior Agency's:

- Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the “**Series 2006T Bonds**”), which are outstanding as of September 1, 2013, in the amount of \$15,275,000; and
- Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the “**Series 2009T Bonds**”), which are outstanding as of September 1, 2013, in the amount of \$34,550,000.

See “DEBT SERVICE COVERAGE” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Outstanding Senior and Parity Debt.”

Reserve Account

In the event that, for any reason, amounts on deposit in the Interest Account or the Principal Account are insufficient to pay debt service on the Series 2013 Bonds, amounts on deposit in, or credited, to the Series 2013 Reserve Subaccount (as defined herein), will be available to pay debt service on the Series 2013 Bonds. Upon the issuance and delivery of the Series 2013 Bonds, there will be deposited in the Series 2013 Reserve Subaccount cash in the amount of \$4,734,100.00, together with a Municipal Bond Debt Service Reserve Fund Policy in the amount of \$12,060,500 (the “**National Surety Bond**”) originally issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, a New York Stock Insurance Company, and assumed by National Public Finance Guarantee Corporation in connection with the issuance of the Series 2003 Bonds and a Surety Bond in the amount of \$4,774,657.06 (the “**Ambac Surety Bond**”) issued by Ambac Assurance Corporation in connection with the issuance of the Series 2005 Bonds. For so long as any of the Series 2013 Bonds remain outstanding, the cash on deposit in the Series 2013 Reserve Subaccount and the proceeds of draws, if any, on the National Surety Bond, until its expiration date (*i.e.*, September 1, 2019) and the Ambac Surety Bond may only be used to pay debt service on the Series 2013 Bonds and any other additional series of Bonds as provided for in any Supplemental Indenture relating to the issuance of such additional series of Bonds. No other amounts on deposit in the Reserve Account or subaccounts within the Reserve Account are available for the payment of debt service on the Series 2013 Bonds.

For additional information regarding the Series 2013 Reserve Subaccount, National Public Finance Guarantee Corporation and Ambac Assurance Corporation, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Reserve Account" and APPENDIX I – "CERTAIN INFORMATION REGARDING INSURERS."

THE SERIES 2013 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, AND PREMIUM, IF ANY, AND INTEREST ON, THE SERIES 2013 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2013 BONDS DO NOT CONSTITUTE 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 2013 BONDS, ARE LIABLE PERSONALLY ON THE SERIES 2013 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

Certain Risk Factors

Investment in the Series 2013 Bonds involves risk. For a discussion of certain considerations relevant to an investment in the Series 2013 Bonds, see "CERTAIN RISK FACTORS."

Additional Information

This Official Statement contains brief descriptions of the Series 2013 Bonds, the security for the Series 2013 Bonds, the Indenture, the Agency, the Prior Agency, the City, the Project Area and certain other information relevant to the issuance of the Series 2013 Bonds. All references herein to the Indenture, the Bond Law, the Redevelopment Law, the Dissolution Act, the Constitution and laws of the State are qualified in their entirety by reference to the complete text thereof and all references to the Series 2013 Bonds are further qualified by reference to the form thereof contained in the Indenture.

The Prior Agency's audited financial statements for the period of July 1, 2011 through January 31, 2012 and the Agency's audited financial statements for the period of February 1, 2012 thru June 30 2012 are included in APPENDIX B. HdL Coren & Cone, Diamond Bar, California (the "Fiscal Consultant") is providing consulting services to the Agency with respect to the Central District Redevelopment Project Area and its projected taxable values and anticipated tax increment revenues. The Fiscal Consultant will provide a report regarding its projections in substantially the form attached hereto as APPENDIX C – Report of the Fiscal Consultant. The proposed form of legal opinion of Bond Counsel for the Series 2013 Bonds is set forth in APPENDIX E.

See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" for definitions of certain words and terms used herein. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture.

The information set forth herein and in the Appendices hereto has been furnished by the Agency and includes information which has been obtained from other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by the Agency or the Underwriters and is not to be construed as a representation by the Underwriters. Copies of documents referred to herein and information concerning the Series 2013 Bonds are available

upon written request from the Treasurer, 150 Frank Ogawa Plaza, Suite 5330, Oakland, California, 94612. The Agency may impose a charge for copying, mailing and handling.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

The Prior Agency was created on October 11, 1956 by the City Council with the adoption of Resolution No. 35000 C.M.S., pursuant to the Redevelopment Law. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Prior Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. See "INTRODUCTION – The Prior Agency."

On January 10, 2012, pursuant to Resolution No. 83679 C.M.S. and Sections 34171(j) and 34173 of the Dissolution Act, the City Council elected for the City to serve as successor agency to the Prior Agency. On July 17, 2012, pursuant to provisions in the Dissolution Act amended by AB 1484, the City Council adopted Resolution No. 84017 C.M.S. creating the Oakland Redevelopment Successor Agency to serve as successor agency. Also on July 17, 2012, the City Council sitting as the governing board of the Oakland Redevelopment Successor Agency adopted Agency Resolution No. 2012-0002 establishing the Agency, designating its officers, and adopting administrative, governance and operating rules for the Agency. Subdivision (g) of Section 34173 of the Dissolution Act, added by AB 1484, expressly affirms that the Agency is a separate public entity from the City, that the two entities (*i.e.*, the City and the Agency) shall not merge, and that the liabilities of the Prior Agency will not be transferred to the City nor will the assets of the Prior Agency become assets of the City.

Agency Powers

All legislative powers of the Agency are vested in its eight-member governing board (the "**Board**"), which consists of the members of the City Council. The Mayor acts as the Chief Executive Officer of the Agency, the City Administrator as its Administrator, the City Clerk as its Secretary, the Director of Finance as its Treasurer, and the City Attorney as its General Counsel. Pursuant to the Dissolution Act, the Agency is a separate public body from the City and succeeds to the organizational status of the Prior Agency but generally without legal authority to participate in redevelopment activities, except to complete any work related to an approved enforceable obligation or other work specifically authorized by the Dissolution Act. The Agency is tasked with expeditiously winding down the affairs of the Prior Agency, pursuant to the procedures and provisions of the Dissolution Act. Under the Dissolution Act, many Agency actions are subject to approval by the Oakland Oversight Board (the "**Oversight Board**"), as well as review by the State Department of Finance. California has strict laws regarding public meetings (known as the Ralph M. Brown Act) which generally make all Agency and Oversight Board meetings open to the public in a manner similar to City Council meetings.

Under a State initiative enacted in 1974, public officials are required to make extensive disclosures regarding their financial interests by filing such disclosures as public records. As of the date of this Official Statement, the members of the City Council and the Agency, and other City and Agency officials have made the required filings.

State Controller Asset Transfer Review

On August 21, 2013, the State Controller issued a report (the "**Report**") of his review of asset transfers made by the Prior Agency to the City prior to the Prior Agency's dissolution, pursuant to the State Controller's authority under Section 34167.5 of the Dissolution Act. As part of this Report, the State Controller ordered the return of approximately \$170 million in assets, both real property and cash, to the Agency.

Most of the \$170 million in assets subject to the State Controller's order consists of real property with an aggregate book value of approximately \$93.4 million. The State Controller's order to the City to return this real property to the Agency has little practical impact on the City or the Agency. The Agency had already assumed the return of this real property, and incorporated it, in its Long Range Property Management Plan, which has been approved by the Oversight Board. The Agency's Long Range Property Management Plan proposes among other things the retention of certain governmental use properties by the City and the disposition of other developable properties to developers, and is currently under review by the State Department of Finance.

The remaining \$76.5 million in assets subject to the State Controller's order are cash funds. These funds consist of: (1) \$45 million in restricted bond proceeds remaining from tax allocation bonds previously issued by the Prior Agency; and (2) \$31.5 million in non-bond funds. The bond-related funds have already been set aside in the City's General Purpose Fund and will be returned to the Agency. Since the Agency has received its finding of completion, the Agency will be entitled under AB 1484 to use these bond-related funds for any use permissible under the applicable bond covenants. The non-bond funds have already been returned to the Agency and were used to fund the Agency's remittance of available assets to the County Auditor-Controller per AB 1484. See also "CERTAIN RISK FACTORS - AB 1484 Penalty for Failure to Remit Unencumbered Funds."

The return to the Agency of these cash funds and real property will have a positive effect on the asset balances and real estate portfolio of the Agency, with little adverse effect on the City's finances. The City and the Agency fully expect in due course to be in full compliance with all of the orders contained in the Report. Nothing in the Report gives rise to a claim on, or an expenditure of, tax increment revenues of the Agency.

THE REFUNDING PLAN

Upon the issuance and delivery of the Series 2013 Bonds, a portion of the proceeds of the Series 2013 Bonds, together with certain other funds on deposit with the Trustee for the Series 2003 Bonds, will be used to establish an irrevocable escrow account, specifically the Series 2003 Bonds Escrow Subaccount (the "**Series 2003 Escrow Subaccount**"), to refund the Series 2003 Bonds. Pursuant to irrevocable refunding instructions given by the Agency to The Bank of New York Mellon Trust Company, N.A., as trustee for the Series 2003 Bonds, the moneys in the Series 2003 Escrow Subaccount will be held uninvested in cash and will be applied to the pay the redemption price (*i.e.*, 100% of the principal amount) of and accrued interest on the Series 2003 Bonds on October 17, 2013 (the "**Series 2003 Redemption Date**").

On the date of delivery of the Series 2013 Bonds, the Authority will receive a report from a firm of independent certified public accountants verifying the adequacy of the cash to be deposited in the Series 2003 Escrow Subaccount to pay the redemption price of and accrued interest on the Series 2003 Bonds on the Series 2003 Redemption Date. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Upon the issuance and delivery of the Series 2013 Bonds, a portion of the proceeds of the Series 2013 Bonds, together with certain other funds on deposit with the Trustee for the Series 2005 Bonds, will be used to establish another irrevocable escrow account, specifically the Series 2005 Bonds Escrow Subaccount (the "**Series 2005 Escrow Subaccount**"), to refund the Series 2005 Bonds. Pursuant to irrevocable refunding instructions given by the Agency to The Bank of New York Mellon Trust Company, N.A., as trustee for the Series 2005 Bonds, the moneys in the Series 2005 Escrow Subaccount will be used to purchase certain securities and investments for the Series 2005 Escrow Subaccount, which securities shall be non-callable Federal Securities (as defined in the Indenture), maturing on the dates and in the amounts

necessary to pay regularly scheduled debt service on the Series 2005 Bonds through and including September 1, 2015 (the “**Series 2005 Redemption Date**”). On the Series 2005 Redemption Date, moneys in the Series 2005 Escrow Subaccount shall be applied to redeem the outstanding Series 2005 Bonds at the redemption price (*i.e.*, 100% of the principal amount) of and accrued interest on such Series 2005 Bonds.

On the date of delivery of the Series 2013 Bonds, the Authority will receive a report from a firm of independent certified public accountants verifying the adequacy of the securities and investments and uninvested cash to be deposited in the Series 2005 Escrow Subaccount to pay the redemption price of and accrued interest on the Series 2005 Bonds on the Series 2005 Redemption Date. See “VERIFICATION OF MATHEMATICAL COMPUTATIONS.”

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds relating to the Series 2013 Bonds are as follows:

Sources:

Principal Amount	\$102,960,000.00
Net Original Issue Premium	10,519,354.60
Funds on Hand	<u>77,925.72</u>
TOTAL SOURCES	<u>\$113,557,280.32</u>

Uses:

Series 2003 Escrow Subaccount ⁽¹⁾	\$77,868,422.92
Series 2005 Escrow Subaccount ⁽²⁾	34,927,088.37
Underwriters’ Discount	360,360.00
Costs of Issuance ⁽³⁾	<u>401,409.03</u>
TOTAL USES	<u>\$113,557,280.32</u>

⁽¹⁾ To be used to redeem the Series 2003 Bonds on the Series 2003 Redemption Date.

⁽²⁾ To be used to redeem the Series 2005 Bonds on, and to pay interest through, the Series 2005 Redemption Date.

⁽³⁾ Includes the fees and expenses of Bond Counsel and Disclosure Counsel, fees and expenses of the Fiscal Consultant, the Trustee and the Financial Advisor, printing costs, rating agency fees and other costs related to the issuance of the Series 2013 Bonds.

THE SERIES 2013 BONDS

Authority for Issuance

The Bonds were authorized for issuance pursuant to the Indenture, the Bond Law, and the Dissolution Act. The issuance of the Series 2013 Bonds and the Indenture were authorized by the Agency pursuant to Resolution No. 2013-016 adopted on June 4, 2013 (the “**Resolution**”), and by the Oversight Board for the Agency pursuant to Resolution No. 2013-11 adopted on June 17, 2013 (the “**Oversight Board Action**”).

Written notice of the Oversight Board Action was provided to the State Department of Finance (“**DOF**”) pursuant to the Dissolution Act on June 20, 2013, and the DOF requested a review within five business days of such written notice. Under the Dissolution Act, the DOF has 60 days to review the documentation. On August 28, 2013, the DOF provided a letter to the Agency stating that based on the DOF’s review and application of the law, the Oversight Board Action approving the Series 2013 Bonds is approved by the DOF. See “APPENDIX G – STATE DEPARTMENT OF FINANCE DETERMINATION LETTER APPROVING SERIES 2013 BONDS.”

Description of the Series 2013 Bonds

The Series 2013 Bonds will be dated their date of delivery, will be issued in the respective aggregate principal amounts and will mature on the dates as set forth on the cover hereof. Each Series 2013 Bond will bear interest at the rates per annum set forth on the inside cover page hereof, payable semiannually on March 1 and September 1 of each year, commencing March 1, 2014, and will mature on the dates and in the amounts set forth on the cover page hereof. The Series 2013 Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. The Series 2013 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2013 Bond will have more than one maturity date. The Series 2013 Bonds will be issued only as one fully registered Series 2013 Bond for each maturity of the Series 2013 Bonds, in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“**DTC**”), as registered owner of all Bonds. See APPENDIX H – “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.

The Trustee will require the Bondowner requesting such transfer or exchange to pay any tax or other charge required to be paid with respect to such transfer or exchange, and the Trustee also may require the Bondowner requesting such transfer or exchange to pay a reasonable sum to cover expenses incurred by the Trustee or the Agency in connection with such transfer or exchange.

Each Series 2013 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2014, in which event it will bear interest from the date of delivery of the Series 2013 Bonds; provided, however, that if, as of the date of authentication of any Series 2013 Bond, interest thereon is in default, such Series 2013 Bond will bear interest from the date to which interest has previously been paid in full.

Interest on the Series 2013 Bonds (including the final interest payment upon maturity or redemption) is payable when due by check of the Trustee mailed to the Owner thereof at such Owner's address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of any Owner of at least \$1,000,000 aggregate principal amount of Series 2013 Bonds, which written request is on file with the

Trustee as of any Record Date, interest on such Series 2013 Bonds will be paid on the succeeding Interest Payment Date in accordance with the wire instructions provided by the Owner at the Owner's risk and expense.

While the Series 2013 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 2013 Bonds. The principal of the Series 2013 Bonds is 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 H — “DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

No Redemption

The 2013 Bonds are not subject to redemption prior to their stated maturities.

DEBT SERVICE SCHEDULE

The following table shows annual debt service on the Series 2013 Bonds.

Bond Year (Ending Sept.1)	Series 2013 Bonds Principal	Series 2013 Bonds Interest	Total Series 2013 Bonds Debt Service
2014	\$ 5,400,000.00	\$ 4,528,768.89	\$ 9,928,768.89
2015	11,985,000.00	4,808,600.00	16,793,600.00
2016	12,585,000.00	4,209,350.00	16,794,350.00
2017	13,210,000.00	3,580,100.00	16,790,100.00
2018	13,875,000.00	2,919,600.00	16,794,600.00
2019	14,495,000.00	2,295,250.00	16,790,250.00
2020	12,690,000.00	1,570,500.00	14,260,500.00
2021	14,590,000.00	936,000.00	15,526,000.00
2022	4,130,000.00	206,500.00	4,336,500.00
TOTAL	<u>\$102,960,000.00</u>	<u>\$25,054,668.89</u>	<u>\$128,014,668.89</u>

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS

Tax Allocation Financing

Prior to the enactment of AB 1X 26, the Redevelopment Law authorized the financing of redevelopment projects through the use of tax increment revenues. This method provided that the taxable valuation of the property within a redevelopment project area on the property tax roll last equalized prior to the effective date of the ordinance which adopts the redevelopment plan becomes the base year valuation. Assuming the taxable valuation never drops below the base year level, the taxing agencies thereafter received that portion of the taxes produced by applying then current tax rates to the base year valuation, and the redevelopment agency was allocated the remaining portion produced by applying then current tax rates to the increase in valuation over the base year. Such incremental tax revenues allocated to a redevelopment agency were authorized to be pledged to the payment of agency obligations. The Dissolution Act authorizes refunding bonds, including the Series 2013 Bonds, to be secured by a pledge of moneys deposited from time to time in a Redevelopment Property Tax Trust Fund held by a county auditor-controller with respect to a successor agency (the “**Redevelopment Property Tax Trust Fund**”), which are equivalent to the tax increment revenues that were formerly allocated under the Redevelopment Law to the redevelopment agency and formerly authorized under the Redevelopment Law to be used for the financing of redevelopment projects, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted

administrative costs of the county auditor-controller. Successor agencies have no power to levy property taxes and must look specifically to the allocation of taxes as described below.

Allocation of Taxes

The Dissolution Act requires the County Auditor-Controller to determine the amount of property taxes that would have been allocated to the Prior Agency (pursuant to subdivision (b) of Section 16 of Article XVI of the State Constitution) had the Prior Agency not been dissolved pursuant to the operation of AB 1X 26, using current assessed values on the last equalized roll on August 20, and to deposit that amount in the Redevelopment Property Tax Trust Fund for the Agency established and held by the County Auditor-Controller pursuant to the Dissolution Act. The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date so that property tax revenues (formerly tax increment revenues) are paid to the Agency in such amounts and on such dates to ensure the timely payment of debt service on the Bonds, including the Series 2013 Bonds. Pursuant to the Dissolution Act, the Agency has covenanted to take all actions necessary to ensure that the Series 2013 Bonds will be included in each of the Agency's Recognized Obligation Payment Schedules as prepared from time to time under the Dissolution Act. See "Recognized Obligation Payment Schedules" below.

The Dissolution Act further provides that bonds authorized thereunder to be issued by the Agency will be secured by a pledge of, and lien on, and will be repaid from moneys deposited from time to time in the Redevelopment Property Tax Trust Fund, and that property tax revenues pledged to any bonds authorized to be issued by the Agency under the Dissolution Act, including the Series 2013 Bonds, are taxes allocated to the Agency pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the State Constitution. Pursuant to subdivision (b) of Section 33670 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State, any city, county, city and county, district, or other public corporation (herein sometimes collectively called "**taxing agencies**") after the effective date of the ordinance approving the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable, are to be divided as follows:

(a) *To Taxing Agencies:* That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency last equalized prior to the effective date of the ordinance adopting the Redevelopment Plan, or the respective effective dates of ordinances approving amendments to the Redevelopment Plan that added territory to the Project Area, as applicable (each, a "**base year valuation**"), will be allocated to, and when collected will be paid into, the funds of the respective taxing agencies as taxes by or for the taxing agencies on all other property are paid; and

(b) *To the Prior Agency/Agency:* Except for that portion of the taxes in excess of the amount identified in (a) above which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of, and the interest on, any bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989 for the acquisition or improvement of real property, which portion shall be allocated to, and

when collected shall be paid into, the fund of that taxing agency, that portion of the levied taxes each year in excess of such amount, annually allocated within the Plan Limit following the Delivery Date, when collected will be paid into a special fund of the Prior Agency. Section 34172 of the Dissolution Act provides that, for purposes of Section 16 of Article XVI of the State Constitution, the Redevelopment Property Tax Trust Fund shall be deemed to be a special fund of the Agency to pay the debt service on indebtedness incurred by the Prior Agency or the Agency to finance or refinance the redevelopment projects of the Prior Agency.

That portion of the levied taxes described in paragraph (b) above, less amounts deducted pursuant to Section 34183(a) of the Dissolution Act for permitted administrative costs of the County Auditor-Controller, constitute the amounts required under the Dissolution Act to be deposited by the County Auditor-Controller into the Redevelopment Property Tax Trust Fund. In addition, Section 34183 of the Dissolution Act effectively eliminates the “on and after January 1, 1989” reference from paragraph (b) above.

On a parity basis (but on a subordinated basis to Senior Bonds) with the Series 2006T Bonds and the Series 2009T Bonds, the Series 2013 Bonds are payable from and secured by the Tax Revenues to be derived from the Project Area. The Bonds are payable from and secured by (i) an irrevocable pledge of the Tax Revenues to be derived from the Project Area (see “– Tax Revenues” below) held in the Special Fund within the Redevelopment Obligation Retirement Fund established and held by the Agency pursuant to the Dissolution Act, and (ii) an irrevocable first pledge and lien on all of the moneys in the Debt Service Fund (including the Interest Account, the Principal Account, the Reserve Account (to the extent that amounts on deposit therein or in a subaccount established therein are pledged to the payment of debt service on a particular series of Bonds), and the Redemption Account therein) established and held by the Trustee in trust for the Bondowners under the Indenture.

Taxes levied on the property within the Project Area on that portion of the taxable valuation over and above the taxable valuation of the applicable base year property tax roll with respect to the various territories within the Project Area, to the extent they constitute Tax Revenues, as described herein, will be deposited in the Redevelopment Property Tax Trust Fund for transfer by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund on January 2 and June 1 of each year to the extent required for payments listed in the Agency’s Recognized Obligation Payment Schedule in accordance with the requirements of the Dissolution Act. See “– Recognized Obligation Payment Schedule” below.

Prior to the dissolution of redevelopment agencies, tax increment revenues from one project area could not be used to repay indebtedness incurred for another project area. However, the Dissolution Act has only required that county auditor-controllers establish a single Redevelopment Property Tax Trust Fund with respect to each former redevelopment agency within the respective county. Additionally, the Dissolution Act now requires that all revenues equivalent to the amount that would have been allocated as tax increment to the former redevelopment agency will be allocated to the Redevelopment Property Tax Trust Fund of the applicable successor agency, and this requirement does not require funds derived from separate project areas of a former redevelopment agency to be separated. In effect, in situations where a former redevelopment agency had established more than one redevelopment project area (such as the Prior Agency) the Dissolution Act combines the property tax revenues derived from all project areas into a single trust fund, the Redevelopment Property Tax Trust Fund, to repay indebtedness of the former redevelopment agency or the successor agency. To the extent the documents governing outstanding bonds of a redevelopment agency have pledged revenues derived from a specific project area, the Dissolution Act states: *“It is the intent that pledges of revenues associated with enforceable obligations of the former redevelopment agencies are to be honored. It is intended that the cessation of any*

redevelopment agency shall not affect either the pledge, the legal existence of that pledge, or the stream of revenues available to meet the requirements of the pledge.” The implications of these provisions of the Dissolution Act are not entirely clear when a former redevelopment agency has established more than one redevelopment project area. Due to the pledge of Tax Revenues securing the Senior Bonds and the Bonds (including the Series 2013 Bonds), Tax Revenues will be used only to pay debt service for the Senior Bonds and the Bonds (including the Series 2013 Bonds) prior to being used for any other purpose, including any other indebtedness of the Prior Agency now being paid by the Successor Agency. This pledge is permitted by Section 34177.5(a) of the Dissolution Act which states, in part, that *“the successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, and that pledge, when made in connection with the issuance of such refunding bonds or other indebtedness, shall have the same lien priority as the pledge of the bonds or other obligations to be refunded, and shall be valid, binding, and enforceable in accordance with its terms.”*

To the extent that tax increment revenue generated from other project areas of the Agency is available after payment of all obligations required to be paid from such amounts, the excess tax increment revenue might, under the Dissolution Act, be available to pay debt service on the Bonds (including the Series 2013 Bonds). The commingling of tax increment revenue from other project areas may, however, adversely affect the interests of other taxing entities. Additionally, as the Dissolution Act eliminated the requirement that 20% of tax increment revenue be deposited in the Low and Moderate Income Housing Fund of a redevelopment agency, these amounts, to the extent not pledged to the payment of enforceable obligations, might also be available to pay debt service on the Bonds (including the Series 2013 Bonds). The Agency is not able to provide any assurances that tax increment revenue from other project areas or that previously was deposited in the Prior Agency’s Low and Moderate Income Housing Fund will be available to pay debt service on the Bonds (including the Series 2013 Bonds). Despite the provisions of the Dissolution Act that appear to permit the Agency to use tax increment revenue that does not constitute Tax Revenues to pay debt service on the Bonds, including the Series 2013 Bonds, investors should assume that the Series 2013 Bonds are secured by and payable solely from the Tax Revenues and moneys in the Special Fund.

Section 33607.5 and 33607.7 of the Redevelopment Law required mandatory tax sharing applicable to redevelopment projects adopted after January 1, 1994, or amended thereafter in certain manners specified in such statutes (the “Statutory Pass-Through Amounts”). The Dissolution Act requires the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund amounts required to be distributed for Statutory Pass-Through Amounts to the taxing entities for each six-month period before amounts are distributed by the County Auditor-Controller from the Redevelopment Property Tax Trust Fund to the Agency’s Redevelopment Obligation Retirement Fund each January 2 and June 1, unless (i) pass-through payment obligations have previously been made subordinate to debt service payments for the bonded indebtedness of the Prior Agency, as succeeded by the Agency, (ii) the Agency has reported, no later than the December 1 and May 1 preceding the January 2 or June 1 distribution date, that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency’s Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations is insufficient to fund the Agency’s enforceable obligations, pass-through payments, and the Agency’s administrative cost allowance for the applicable six-month period, and (iii) the State Controller has concurred with the Agency that there are insufficient funds for such purposes for the applicable six-month period.

If the requirements stated in clauses (i) through (iii) of the foregoing paragraph have been met, the Dissolution Act provides for certain modifications in the distributions otherwise

calculated to be distributed for such six-month period. To provide for calculated shortages to be paid to the Agency for enforceable obligations, the amount of the deficiency will first be deducted from the residual amount otherwise calculated to be distributed to the taxing entities under the Dissolution Act after payment of the Agency's enforceable obligations, pass-through payments, and the Agency's administrative cost allowance. If such residual amount is exhausted, the amount of the remaining deficiency will be deducted from amounts available for distribution to the Agency for administrative costs for the applicable six-month period in order to fund the enforceable obligations.

Finally, funds required for servicing bond debt may be deducted from the amounts to be distributed for statutory tax sharing amounts, in order to be paid to the Agency for enforceable obligations, but only after the amounts described in the previous two sentences have been exhausted. The Dissolution Act provides for a procedure by which the Agency may make statutory tax sharing amounts subordinate to the Series 2013 Bonds; however, the Agency has determined not to undertake such procedure, and therefore, statutory tax sharing amounts are not subordinate to the Series 2013 Bonds or any of the outstanding Series 2009T Bonds or Series 2006T Bonds. The Agency cannot guarantee that this process prescribed by the Dissolution Act of administering the Tax Revenues and the statutory tax sharing amounts will effectively result in adequate Tax Revenues for the payment of principal and interest on the Series 2013 Bonds when due. See "– Recognized Obligation Payment Schedule." See also "THE PROJECT AREA – Statutory Tax-Sharing" for additional information regarding the Statutory Tax Sharing Amounts applicable to the Agency and the revenues derived from the Project Area. The Agency has no power to levy and collect taxes, and various factors beyond its control could affect the amount of Tax Revenues available in any six-month period to pay the principal of and interest on the Series 2013 Bonds. See "– Recognized Obligation Payment Schedule" and "CERTAIN RISK FACTORS."

The 2013 Bonds are not a debt of the City, the State or any of its political subdivisions (except the Agency), and none of the City, the State or any of its political subdivisions (except the Agency) is liable therefor. The 2013 Bonds do not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Recognized Obligation Payment Schedules

Previously, Section 33675 of the Redevelopment Law required the Prior Agency to file not later than the first day of October of each year with the County Auditor a statement of indebtedness certified by the chief fiscal officer of the Prior Agency for each redevelopment plan which provides for the allocation of taxes (*i.e.*, the Redevelopment Plan). The statement of indebtedness was required to contain the date on which the bonds were delivered, the principal amount, term, purposes and interest rate of the bonds and the outstanding balance and amount due on the bonds. Similar information was required to be given for each loan, advance or indebtedness that the Prior Agency had incurred or entered into which is payable from tax increment. Section 33675 also provided that payments of tax increment revenues from the County Auditor to the Prior Agency could not exceed the amounts shown on the Prior Agency's statement of indebtedness. The Dissolution Act eliminates this requirement and provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, the Recognized Obligation Payment Schedule supersedes the statement of indebtedness previously required under the Redevelopment Law, and commencing from such date, the statement of indebtedness will no longer be prepared nor have any effect under the Redevelopment Law.

Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to

which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. As defined in the Dissolution Act, “enforceable obligation” includes, among other things, bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of the outstanding bonds of the former redevelopment agency, as well as other obligations such as loans, judgments or settlements against the former redevelopment agency, any legally binding and enforceable agreement that is not otherwise void as violating the debt limit or public policy, contracts necessary for the administration or operation of the successor agency, and amounts borrowed from the Low and Moderate Income Housing Fund. A reserve may be included on the Recognized Obligation Payment Schedule and held by the successor agency when required by the bond indenture or when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following six-month period.

The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule.

The Recognized Obligation Payment Schedule with respect to the six-month period of January 1, 2013 through June 30, 2013 was required to be, and was, submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller no later than September 1, 2012. For each subsequent six-month period, the Recognized Obligation Payment Schedule must be submitted by the Agency, after approval by the Oversight Board, to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller by 90 days before the date of the next January 2 or June 1 property tax distribution. If the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by such deadlines, the City will be subject to a civil penalty equal to \$10,000 per day for every day the schedule is not submitted to the State Department of Finance. Additionally, the Agency’s administrative cost allowance is reduced by 25% if the Agency does not submit an Oversight Board-approved Recognized Obligation Payment Schedule by the 80th day before the date of the next January 2 or June 1 property tax distribution, as applicable, with respect to the Recognized Obligation Payment Schedule for subsequent six-month periods.

The Agency timely submitted to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedule by August 22, 2012, with respect to the Recognized Obligation Payment Schedule for the six-month period of January 1, 2013 through June 30, 2013 and its Oversight Board-approved Recognized Obligation Payment Schedule by February 28, 2013, with respect to the Recognized Obligation Payment Schedule for the six-month period of July 1, 2013 through December 31, 2013. Additionally, the Agency expects to timely submit by October 1, 2013 to the County Administrative Officer, the County Auditor-Controller, the State Department of Finance, and the State Controller its Oversight Board-approved Recognized Obligation Payment Schedule for the six-month period of January 1, 2014 through June 30, 2014. For additional information regarding procedures under the Dissolution Act relating to late Recognized Obligation Payment Schedules and implications thereof on the Series 2013 Bonds, see “CERTAIN RISK FACTORS – Recognized Obligation Payment Schedules.”

In the Indenture, the Agency has covenanted to take all actions required under the Dissolution Act to include scheduled debt service on the Senior Bonds and on the Bonds,

including the Series 2013 Bonds, all amounts required to be deposited in the Special Fund pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account, in the Recognized Obligation Payment Schedule for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund to the Special Fund within the Redevelopment Obligation Retirement Fund on each January 2 and June 1 amounts required for the Agency to pay principal of, and interest on, the Senior Bonds, and all amounts to be deposited in the Special Fund (pursuant to and in accordance with Section 4.02 of the Indenture), which amounts will be used to pay debt service on the Bonds, including the Series 2013 Bonds. Specifically, the Agency has covenanted that it will place on the periodic Recognized Obligation Payment Schedule for approval by the Oversight Board and State Department of Finance, to the extent necessary, all amounts required by the Indenture to be deposited and held by the Agency in the Special Fund, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act. Due to the fact that September 1 principal and interest payments on the Bonds are significantly larger than March 1 interest only payments, failure to submit amounts to be held as a reserve on the January Recognized Obligation Payment Schedule will result in the disbursement of too much tax increment revenues to the taxing agencies leaving insufficient funds to make payment on the Series 2013 Bonds coming due each September.

The Dissolution Act requires the State Department of Finance to make a determination of the enforceable obligations and the amounts and funding sources of the enforceable obligations no later than 45 days after the Recognized Obligation Payment Schedule is submitted. Within five business days of the determination by the State Department of Finance, the Agency may request additional review by the State Department of Finance and an opportunity to meet and confer on disputed items, if any. The State Department of Finance will notify the Agency and the County Auditor-Controller as to the outcome of its review at least 15 days before the January 2 or June 1 date of property tax distribution, as applicable. The State Department of Finance has on occasion rejected items on the Agency's Recognized Obligation Payment Schedule. However, none of the rejected items related to bond debt service or enforceable obligations related to the repayment of bonds.

Additionally, the County Auditor-Controller may review a submitted Recognized Obligation Payment Schedule and object to the inclusion of any items that are not demonstrated to be enforceable obligations and may object to the funding source proposed for any items, provided that the County Auditor-Controller must provide notice of any such objections to the Agency, the Oversight Board, and the State Department of Finance at least 60 days prior to the January 2 or June 1 date of property tax distribution, as applicable. In connection with the allocation and distribution by the County Auditor-Controller of property tax revenues deposited in the Redevelopment Property Tax Trust Fund, under the Dissolution Act, the County Auditor-Controller must prepare estimates of the amounts of (i) property tax to be allocated and distributed and (ii) the amounts of pass-through payments to be made in the upcoming six-month period, and provide those estimates to the entities receiving the distributions and the State Department of Finance no later than October 1 and April 1 of each year, as applicable. If, after receiving such estimate from the County Auditor-Controller, the Agency determines and reports, no later than December 1 or May 1, as applicable (*i.e.*, by December 1, 2012 with respect to the Recognized Obligation Payment Schedule for January 1, 2013 through June 30, 2013), that the total amount available to the Agency from the Redevelopment Property Tax Trust Fund allocation to the Agency's Redevelopment Obligation Retirement Fund, from other funds transferred from the Prior Agency, and from funds that have or will become available through asset sales and all redevelopment operations, is insufficient to fund the payment of pass-through obligations, for Agency enforceable obligations listed on the Recognized Obligation Payment Schedule, and for the Agency's administrative cost allowance, the County Auditor-Controller must notify the State Controller and the State Department of Finance no later than 10 days from the date of the Agency's notification. If the State Controller concurs that

there are insufficient funds to pay required debt service, the Dissolution Act provides for certain adjustments to be made to the estimated distributions, as described in more detail under “– Allocation of Taxes” above.

The Dissolution Act provides that any bonds authorized thereunder to be issued by the Agency will be considered indebtedness incurred by the dissolved Prior Agency, with the same legal effect as if the bonds had been issued prior to the effective date of AB 1X 26, in full conformity with the applicable provision of the Redevelopment Law that existed prior to that date, and will be included in the Agency’s Recognized Obligation Payment Schedules.

Additionally, if an enforceable obligation provides for an irrevocable commitment of property tax revenue and where allocation of revenues is expected to occur over time, the Dissolution Act provides that a successor agency may petition the State Department of Finance to provide written confirmation that its determination of such enforceable obligation as approved in a Recognized Obligation Payment Schedule is final and conclusive, and reflects the Department’s approval of subsequent payments made pursuant to the enforceable obligation. If the confirmation is granted by the State Department of Finance, then the State Department of Finance’s review of such payments in each future Recognized Obligation Payment Schedule will be limited to confirming that they are required by the prior enforceable obligation. No such final and conclusive determination has been sought by the Agency.

Tax Revenues

General. Subject to the prior and senior pledge of and interest in and lien on the Tax Revenues in favor of the Senior Bonds, and the Series 2013 Bonds, the Series 2006T Bonds, the Series 2009T Bonds (collectively, excluding the Senior Bonds, the “**Parity Bonds**”), and any other Parity Debt will be equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues in the Special Fund, and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account (to the extent that amounts on deposit therein or in a subaccount established therein are pledged to the payment of debt service on a particular series of Bonds) and the Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. In accordance with Section 34170.5(a) of the Dissolution Act, the Agency has created a Redevelopment Obligation Retirement Fund and will hold the Special Fund as an account therein. The Agency covenants in the Indenture to continue to deposit all Tax Revenues as and when received from the County Auditor-Controller, as described herein, into the Special Fund in order to ensure that all Tax Revenues are available for the payment of debt service on the Bonds on a timely basis. Except for the Tax Revenues and such moneys on deposit in the funds and accounts established by the Trustee for the Series 2013 Bonds, no funds or properties of the Agency will be pledged to, or otherwise liable for, the payment of principal of or interest on the Series 2013 Bonds.

Under the Indenture, the Agency may incur additional loans, advances or indebtedness or additional bonds on a parity with the Series 2013 Bonds, which Parity Debt will be equally secured on a parity with the Series 2013 Bonds by a pledge of and security interest in and lien on all of the Tax Revenues and moneys in the Special Fund without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. See “– Additional Parity and Subordinate Debt” below. See also APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Issuance of Parity Debt” and “– Issuance of Subordinate Debt.”

“Tax Revenues” is defined in the Indenture as all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of

the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to *ad valorem* taxes lost by reason of tax exemptions and tax rate limitations, but excluding all other amounts of such taxes (if any):

- (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Redevelopment Law for increasing and improving the supply of low and moderate income housing,
- (ii) amounts payable by the State to the Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code (consisting generally of special supplemental subventions to certain cities, multi-county special districts, and redevelopment agencies), and
- (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Series 2013 Bonds.

The Agency's receipt of Tax Revenues is subject to certain limitations contained in the Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law. The Agency's collection of Tax Revenues in the Project Area is also subject to limitations of the total tax increment collected by the Agency over the life of the Redevelopment Plan. See "LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation."

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay debt service on the Series 2013 Bonds and, consequently, the principal of, and interest on, the Series 2013 Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "CERTAIN RISK FACTORS" and "LIMITATIONS ON TAX REVENUES."

THE SERIES 2013 BONDS ARE NOT A DEBT OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY TO THE LIMITED EXTENT SET FORTH IN THE INDENTURE, AND NONE OF THE CITY, THE STATE OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2013 BONDS ARE PAYABLE SOLELY FROM TAX REVENUES ALLOCATED TO THE AGENCY FROM THE PROJECT AREA AND CERTAIN OTHER FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. THE SERIES 2013 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 2013 BONDS ARE LIABLE PERSONALLY ON THE SERIES 2013 BONDS BY REASON OF THEIR ISSUANCE. THE AGENCY HAS NO TAXING POWER.

In consideration of the acceptance of the Series 2013 Bonds by those who will hold the same from time to time, the Indenture constitutes a contract between the Agency and the Owners from time to time of the Series 2013 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 2013 Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the Series 2013 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 2013 Bonds or in the Indenture.

Reserve Account

Upon the issuance and delivery of the Series 2013 Bonds, there will be deposited in the Series 2013 Subaccount of the Reserve Account (the “**Series 2013 Reserve Subaccount**”) cash in the amount of \$4,734,100.00, together with a Municipal Bond Debt Service Reserve Fund Policy in the amount of \$12,060,500 (the “**National Surety Bond**”) originally issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company, a New York Stock Insurance Company in connection with the issuance of the Series 2003 Bonds, and assumed by National Public Finance Guarantee Corporation (“**National**”) and a Surety Bond in the amount of \$4,774,657.06 (the “**Ambac Surety Bond**”) issued by Ambac Assurance Corporation (“**Ambac**”) in connection with the issuance of the Series 2005 Bonds. For so long as any of the Series 2013 Bonds remain outstanding, the cash on deposit in the Series 2013 Reserve Subaccount and the proceeds of draws, if any, on the National Surety Bond and the Ambac Surety Bond may only be used to pay debt service on the Series 2013 Bonds. The National Surety Bond terminates on September 1, 2019. Pursuant to the Fourth Supplemental Indenture, on September 1, 2019, the Trustee shall return the National Surety Bond to National for cancellation, and thereafter no draws may be made from the National Surety Bond. As a result, the National Surety Bond will not be available for draws for debt service on maturities of the Series 2013 Bonds maturing after September 1, 2019. The initial Reserve Requirement for the Series 2013 Bonds is \$10,296,000, which equals 10% of the original principal amount of the Series 2013 Bonds. The cash portion of the Reserve Fund after September 1, 2019 will be approximately 30.5% of Maximum Annual Debt Service on the Series 2013 Bonds.

“Reserve Requirement” is defined in the Fourth Supplemental Indenture to mean, only with respect to the Series 2013 Bonds, as of the date of calculation by the Agency, (A) to and including August 31, 2019, the lesser of (i) the amount of Maximum Annual Debt Service on the Series 2013 Bonds, (ii) 10% of the original principal amount of the Series 2013 Bonds, and (iii) 125% of average Annual Debt Service on the Series 2013 Bonds, and (B) on and after September 1, 2019, \$4,734,100.00.

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

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

and (c) the principal amount of the Outstanding Term Bonds scheduled to be paid or redeemed from mandatory sinking account payments in such Bond Year.

In the event that the amount on deposit in the Series 2013 Reserve Subaccount at any time becomes less than the Reserve Requirement, the Trustee is required to notify the Agency of such fact and the Agency is required to transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Series 2013 Reserve Subaccount. If there will not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Series 2013 Reserve Subaccount, the Agency will be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Series 2013 Reserve Subaccount. No such transfer and deposit need be made to the Series 2013 Reserve Subaccount so long as there will be on deposit therein a sum at least equal to the Reserve Requirement.

No other amounts on deposit in the Reserve Account or subaccounts within the Reserve Account are available for the payment of debt service on the Series 2013 Bonds.

Amounts on deposit in, or credited to, the Series 2013 Reserve Subaccount will be available only to pay debt service on the Series 2013 Bonds for so long as the Series 2013 Bonds remain outstanding, and any other additional series of Bonds as provided for in any Supplemental Indenture relating to the issuance of such additional series of Bonds. Amounts on deposit in, or credited to, the Series 2013 Reserve Subaccount will not be available to pay debt service on the Series 2006T Bonds or the Series 2009T Bonds. Amounts on deposit in the Reserve Account with respect to the Series 2006T Bonds and the Series 2009T Bonds are not available for the payment of debt service on the Series 2013 Bonds.

All money in the 2013 Reserve Subaccount will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Series 2013 Bonds then Outstanding. In the event of such a deficiency, the Trustee shall first draw from the cash on deposit in the Series 2013 Reserve Subaccount and, once all cash is used, the Trustee, shall on a pro rata basis, draw from each of the National Surety Bond, if prior to its expiration date, and the Ambac Surety Bond. See "CERTAIN RISK FACTORS – Financial Health of Insurers."

So long as the Agency is not in default, any amount in the Series 2013 Reserve Subaccount in excess of the Reserve Requirement will be withdrawn from the Series 2013 Reserve Subaccount semiannually on or before the fifth Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency will have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Reserve Requirement with respect to one or more series of Bonds may be satisfied with the acquisition of a financial instrument meeting the requirements of a "Qualified Reserve Account Credit Instrument" set forth in APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." For additional information regarding National and Ambac, see APPENDIX I – "CERTAIN INFORMATION REGARDING INSURERS."

Outstanding Senior and Parity Debt

The Series 2013 Bonds are subordinate to the Agency's Central District Redevelopment Project, Senior Tax Allocation Refunding Bonds, Series 1992. The final maturity of these Senior Bonds is February 1, 2014.

The Series 2013 Bonds are being issued on a parity with the Parity Bonds. See "Introduction – Additional Parity and Subordinate Debt." The Agency may issue other debt, payable on a parity with or subordinate to the payment of debt service on the Series 2013 Bonds subject to the conditions set forth in the Indenture (see "– Additional Parity and Subordinate Debt," above) for such purposes as are permitted under the Dissolution Act, including without limitation Section 34177.5 thereof.

Additional Parity and Subordinate Debt

Section 34177.5 of the Dissolution Act presently permits successor agencies to issue bonds or incurring other indebtedness secured by property tax revenues comprised of former tax increment and required to be deposited into the respective Redevelopment Property Tax Trust Fund for the applicable successor agency under the following limited circumstances:

- (i) to provide debt service savings to the successor agency;
- (ii) for the purpose of financing debt service spikes, including balloon maturities; provided, (A) the existing indebtedness is not accelerated, except to the extent necessary to achieve substantially level debt service, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of issuance;
- (iii) for the purpose of amending an existing enforceable obligation under which the successor agency is obligated to reimburse a political subdivision of the state for the payment of debt service on a bond or other obligation of the political subdivision or to pay all or a portion of the debt service on the bond or other obligation of the political subdivision to provide savings to the successor agency, when such amendment is in connection with a refunding of the bonds or other obligations of the separate political subdivision so that the enforceable obligation will apply to the refunding obligations of the political subdivision; or
- (iv) for the purpose of making payments under an existing enforceable obligation when the enforceable obligation includes the irrevocable pledge of property tax increment (*i.e.*, formerly tax increment revenues prior to the effective date of the Dissolution Act) or other funds and the obligation to issue bonds secured by that pledge.

When bonds are issued pursuant to the situations contemplated in clauses (i) and (iii), the following two constraints apply to the size of the financing: (A) the total interest cost to maturity on the refunding bonds or indebtedness plus the principal amount of the refunding bonds or other indebtedness shall not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded, and (B) the principal amount of the refunding bonds or the indebtedness will not exceed the amount required to defease the refunded bonds or other indebtedness, to establish customary debt service reserves, and to pay related costs of

issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds or indebtedness may be greater than the outstanding principal amount of the bonds or other indebtedness to be refunded. The successor agency may pledge to the refunding bonds or other indebtedness the revenues pledged to the bonds or other indebtedness being refunded, having the same lien priority as the pledge of the bonds or other obligations to be refunded.

Subject to the foregoing, under the Indenture, the Agency may issue, deliver and incur:

- 1) any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:
 - (a) No event of default under the Indenture, under any Parity Debt Instrument or under any Subordinate Debt Instrument will have occurred and be continuing, and the Agency will otherwise be in compliance with all covenants set forth in the Indenture;
 - (b) The Tax Revenues estimated to be received for the then current Fiscal Year, based on the most recent assessed valuation of property in the Project Area (excluding taxes attributable to a tax rate levied by a taxing agency after January 1, 1989 for the purpose of producing revenues in an amount sufficient to make annual repayments of the principal of and the interest on, any bonded indebtedness of such taxing agency), as evidenced in writing from the County Assessor or other appropriate official of the County, less the amount of debt service on the Senior Bonds for such Fiscal Year, will be at least equal to 120% of Annual Debt Service, including annual debt service on the proposed Parity Debt, for each Fiscal Year; provided that in determining whether estimated Tax Revenues equal not less than 120% of Annual Debt Service for each Fiscal Year (and regardless of when such calculation is being made), in performing the calculation for each Fiscal Year commencing on and after July 1, 2014 (or, if later, the final maturity of the Senior Bonds) estimated Tax Revenues will not be reduced by the amount of debt service on the Senior Bonds for the then current Fiscal Year;
 - (c) In the case of Parity Debt issued as additional Bonds under a Supplemental Indenture, the amount on deposit in the Reserve Account (and any applicable subaccounts therein) will be increased to the Reserve Requirement taking into account the additional Bonds to be issued;
 - (d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable;
 - (e) The aggregate amount of the principal of and interest on the Senior Bonds, all Outstanding Bonds, other outstanding Additional Parity and Subordinate Debt coming due and payable following the issuance of such Parity Debt will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt as will be confirmed at the time of the issuance of

such Parity Debt and as will be thereafter confirmed at least annually by the Agency in a written accounting to the Trustee and any Insurer. The Agency will provide for the deposit of Tax Revenues into an escrow held by the Trustee and pledged to the payment of the Bonds and Parity Debt in the event and to the extent it determines, based on the annual calculation provided for in the preceding sentence, that remaining debt service on the Senior Bonds and the remaining debt service payable on the Series 2013 Bonds and Parity Debt, exceeds 95% of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit. The Agency will apply amounts on deposit in such escrow solely to the purchase or redemption of the Senior Bonds, the Bonds or Parity Debt, or in the event that the Agency delivers a Written Certificate of the Agency to the effect that the Plan Limit has been amended such that the remaining debt service on the Senior Bonds and the remaining debt service on the Series 2013 Bonds including any Parity Debt, no longer exceeds 95% of the amount of Tax Revenues then remaining to be allocated and paid to the Agency under the Plan Limit, the Trustee will transfer amounts on deposit in such escrow to the Agency to be used for any lawful purpose; (see also “-Tax Increment Revenue Limitation” below); and

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

2) loans, advances or indebtedness which are either payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues for security of the Series 2013 Bonds (“**Subordinate Debt**”), in such principal amount as will be determined by the Agency, subject to the following specific conditions precedent:

- (a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Senior Bonds, Outstanding Bonds, Additional Parity and Subordinate Debt coming due and payable following the issuance of such Subordinate Debt will not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Subordinate Debt; and
- (b) The Agency will deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in the Indenture have been satisfied.

LIMITATIONS ON TAX REVENUES

The Series 2013 Bonds are secured by a pledge of Tax Revenues attributable to the Project Area. The Agency does not have any independent power to levy and collect property taxes; accordingly, the amount of Tax Revenues available to the Agency for payment of the principal of and interest on the Series 2013 Bonds is affected by several factors, including but not limited to those discussed below. See also “CERTAIN RISK FACTORS.”

Property Tax Collection Procedures

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

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

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

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

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

Supplemental Assessments. California Revenue and Taxation Code Section 75.70 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. This statute provides increased revenue to the Redevelopment Property Tax Trust Fund to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. See “THE PROJECT AREA.”

Recognized Obligation Payment Schedule. The Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency’s oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Pledged Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency’s Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time as required by the Dissolution Act prior to the January 2 or June 1 distribution dates, as applicable. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Recognized Obligation Payment Schedules” and “RISK FACTORS – Recognized Obligation Payment Schedule.”

Property Tax Limitations – Article XIII A

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions in proportion to the tax-derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. In addition, Sections 34182(e) and 34183(a) of the Dissolution Act allow administrative costs of the County Auditor-Controller for the cost of administering the provisions of the Dissolution Act, as well as the foregoing SB 1559 amounts, to be deducted from property tax revenues before moneys are deposited into the Redevelopment Property Tax Trust Fund. For Fiscal Years 2011-12 and 2012-13, the County’s administrative charge to the Agency for the Project Area was \$390,247 and \$396,229, respectively. For Fiscal Year 2013-2014, it is expected to be approximately \$429,000.

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

of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

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 substantial damage, destruction or other factors, and 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 other special circumstances.

Both the United States Supreme Court and the California Supreme Court have upheld the validity of Article XIII A. However, the Agency cannot predict what impact any future developments or legal challenges to California's system of property taxation might have on the Agency's receipt of tax increment revenues.

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

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

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

Article XIII B of the California Constitution

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

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

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

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

Articles XIII C and XIII D of the California Constitution

At the election held on November 5, 1996, Proposition 218 was passed by the voters of California. The initiative added Articles XIII C and XIII D to the California Constitution. Provisions in the two articles affect the ability of local government to raise revenues. The Series 2013 Bonds are secured by sources of revenues that are not subject to limitation by Proposition 218.

Proposition 87

On November 8, 1988, the voters of the State approved Proposition 87, which amended Article XVI, Section 16 of the California Constitution to provide that property tax revenue attributable to the imposition of taxes on property within a redevelopment project area for the purpose of paying debt service on bonded indebtedness issued by a taxing entity (not the Agency) and approved by the voters of the taxing entity after January 1, 1989 will be allocated solely to the payment of such indebtedness and not to redevelopment agencies. Tax Revenues do not include any such amounts.

Unitary Property

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

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

Chapters 1457 and 921 provide for redevelopment agencies to receive their appropriate share of revenue generated from the property assessed by the State Board of Equalization. For Fiscal Year 2012-13, \$2,599,828 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

Appeals to Assessed Values

There are two basic types of assessment appeals provided for under California law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the County Assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the County Assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs. The second type of appeal, commonly referred to as a Proposition 8 appeal, can result if factors occur causing a decline in the market value of the property to a level below the property's then-current taxable value (escalated base year value). Pursuant to California law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board.

In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the Alameda County Assessment Appeals Board (the "**Appeals Board**"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Alameda County Assessor's Office (the "**County Assessor**"), the County Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the County Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any subsequent years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. See "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" and "THE PROJECT AREA – Assessment Appeals."

In addition, under Proposition 8, the County Assessor may unilaterally on its own accord reduce the assessed value of property in the County. The County Assessor has previously reviewed and made adjustments, pursuant to Proposition 8, to the values of residential properties. Within the Project Area, this applied primarily to property that was purchased between 2004 and 2008. The State Constitution requires the County Assessor to enroll a property's value at the lesser of the prior year value adjusted for inflation or the current market value. For Fiscal Year 2013-14, there are 1,593 residential parcels in the Project Area (which comprises 43.1% of all residential parcels in the Project Area) that have been reduced in value under Proposition 8. These properties are currently assessed at values that are on average, 31.0% lower than the property's peak value. The Report of the Fiscal Consultant indicates that this represents a total of \$292.2 million in value that is eligible to be recovered under Proposition 8 as assessed values recover over time. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

Tax Increment Revenue Limitation

Pursuant to Senate Bill 690 (Chapter 639, Statutes of 1985), the City was required to adopt an ordinance setting forth a limit on the amount of tax increment the Prior Agency may receive with respect to each of its redevelopment project areas. The maximum amount of tax

increment revenue the Prior Agency may receive from the Original Project Area was previously established in the amount of \$1,348,862,000 (the “**Original Plan Limit**”). However, on April 3, 2012, by Ordinance No. 13109, C.M.S. (“**Ordinance 13109**”), the City Council, through a redevelopment plan amendment (the Seventeenth Amendment to the Central District Redevelopment Plan, or the “**Seventeenth Amendment**”), increased the maximum amount of tax increment revenue the Agency may receive relating to the entire Project Area, including the amendment areas, to \$3,000,000,000 (the “**Increased Plan Limit**”) and extended the time on the Plan’s effectiveness to June 12, 2023 and the receipt of tax increment revenues to June 12, 2030. The Seventeenth Amendment was adopted pursuant to SB 211 (codified at Health and Safety Code Sections 33333.10 et seq.) as well as other provisions in the Redevelopment Law pertaining to major plan amendments and amendments raising the tax increment limit (Health and Safety Code Sections 33451.5 and 33354.6), and the City believes that it and the Prior Agency followed the extensive amendment adoption process established by those statutes. The adoption process, begun in 2009, included documenting and mapping remaining blight in the Project Area, identifying projects necessary to address remaining blight, preparing a fiscal report, and preparing and adopting an environmental impact report. As part of the process, the Prior Agency submitted the proposed amendment and supporting documents to the taxing entities, the State Department of Finance, and the State Department of Housing and Community Development as required. As part of the amendment process, the Redevelopment Law gave the State Department of Finance and the State Department of Housing and Community Development the opportunity to comment on the proposed amendment or to request the participation of the California Attorney General in the amendment process; those agencies declined to comment on the Seventeenth Amendment or otherwise participate in the amendment process. The City received no written objections to the adoption of the Seventeenth Amendment.

Although the Seventeenth Amendment was passed by the City Council after the Dissolution Act (which did not provide successor agencies with the power to amend redevelopment plans) came into effect, the City believes that it was within its authority to adopt the Seventeenth Amendment and that the Dissolution Act did not limit or repeal the City’s authority to adopt a redevelopment plan amendment. The City therefore believes that the Increased Plan Limit is in effect. However, the Seventeenth Amendment is subject to challenge by litigation under the Dissolution Act for two years after the date of adoption of Ordinance 13109. (Prior to the passage of the Dissolution Act, the period for challenging a redevelopment plan amendment was 90 days.) The Indenture provides that, notwithstanding Ordinance 13109, the Plan Limit (for purposes of the Indenture) shall be considered the Original Plan Limit with respect to any Bonds until the later of (i) April 4, 2014 (the expiration of the challenge period) or (ii) the date that any lawsuit filed prior to April 4, 2014 challenging the effectiveness of Ordinance 13109 is finally adjudicated (with no right of appeal on the part of any party to such lawsuit) with a judgment or settlement to the effect that that the Ordinance was properly passed by the City Council and remains in full force and effect. To date, neither the City nor the Agency has received written notice of any action challenging the effectiveness of Ordinance 13109.

Based on Agency records, as of June 30, 2013, the Agency has received \$932,188,431 of tax increment revenue from the Original Project Area. Pursuant to SB 1045 and SB 1096, the Prior Agency’s Education Revenue Augmentation Fund (“**ERAF**”) payments in Fiscal Years 2002-03 through 2005-06 can be deducted from the tax increment revenue applied against the Plan limit. The \$932,188,431 of tax increment revenue received through June 30, 2013 does not reflect the approximately \$13,023,734 in ERAF payments made by the Prior Agency for Fiscal Years 2002-03 through 2005-06.

Whether or not the Agency reaches the Plan Limit during the term of the Series 2013 Bonds (the final maturity of the Series 2013 Bonds is September 1, 2019) depends on the rate of tax increment growth in the Project Area and may also depend on whether the Original Plan

Limit or the Increased Plan Limit is in effect. The Report of the Fiscal Consultant projects that, with a 2% average rate of growth in the assessed value of property in the Project Area commencing with Fiscal Year 2013-14 assessed values, the Original Plan Limit for the Project Area would be reached in Fiscal Year 2020-21. With higher rates of growth in the assessed value of property in the Project Area, the Original Plan Limit would be reached even sooner. The average annual growth of the assessed values in the Project Area since Fiscal Year 2001-02 has been 5.61%, and if this average rate of growth continues, the Original Plan Limit would be reached during Fiscal Year 2019-20. The Agency is not expected to reach the Increased Plan Limit within the time limits established for the Plan as amended by Ordinance 13109. To date, no challenge to Ordinance 13109 and the Increased Plan Limit has been filed.

In the event that the Agency reaches its Plan Limit prior to the maturity date of any of its Outstanding Bonds (including its Series 2013 Bonds), it would not be allocated any additional tax increment from the Project Area to pay debt service on its Outstanding Bonds. In the Indenture, the Agency covenants to calculate annually the remaining amount available under its Plan limit and the amount of obligations that exist to be paid from tax increment revenue. If, based on such review, the allocation of tax increment revenue to the Agency in any of the next three succeeding fiscal years will cause an amount equal to 90% of the tax increment revenue remaining to be allocated under the Plan limit to fall below the cumulative obligations payable from the tax increment revenues, the Agency will be obligated to either use tax increment revenue not needed to pay such obligations to retire or defease the Parity Bonds or to adopt a plan approved by a qualified redevelopment consultant which demonstrates the Agency's continuing ability to pay debt service on the Parity Bonds. The Agency is not expected to reach its tax increment revenue limit under the Increased Plan Limit (and would not expect to reach 90% of the Original Plan Limit until Fiscal Year 2018-19, even if the current average growth of 5.18% is sustained). See "CERTAIN RISK FACTORS – Tax Increment Revenue Limitation," "THE PROJECT AREA – Redevelopment Plan Limitations" and APPENDIX D – "SUMMARY OF THE INDENTURE – Covenants of the Issuer – Annual Review of Tax Revenues."

The Agency can give no assurance that the Increased Plan Limit will not be subject to challenge, either before or after April 4, 2014, or if challenged, that the Agency will prevail and the Increased Plan Limit determined to be effective. Moreover, the Agency can give no assurance that if the Original Plan Limit is operative that it will be able to capture sufficient Tax Revenues pursuant to its covenant to provide timely payment of the Series 2013 Bonds when due.

Redevelopment Time Limits

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

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

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

On January 6, 2004, the City Council adopted an ordinance, pursuant to the authorization contained in SB 211, deleting the limit on the Prior Agency's authority to incur loans, advances and indebtedness with respect to the Original Project Area. For the 2002 Amendment Area, the time limit for the establishment of loans, advances and indebtedness is July 24, 2021.

As discussed above, on April 3, 2012, the City Council adopted Ordinance 13109 extending the time limits on Plan effectiveness (for the Original Project Area) to June 12, 2023 and the time limit to repay debt or receive property taxes is June 12, 2033.

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

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

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

Low and Moderate Income Housing Fund

Under Section 33334.2 of the Redevelopment Law, redevelopment agencies in California were generally required, unless certain annual findings are made, annually to set aside 20% of all property tax increment revenues allocated to the agency pursuant to the Redevelopment Law and to deposit said revenues in a Low and Moderate Income Housing Fund (the "**Housing Set-Aside**") to be used within the jurisdiction of the agency to increase,

improve, and preserve the community's supply of low and moderate income housing. The Dissolution Act eliminated the Housing Set-Aside. Therefore, these amounts, to the extent they are not otherwise pledged to the payment of other enforceable obligations, may be available to pay debt service on the Bonds (including the Series 2013 Bonds). However, the Agency can make no assurances that tax increment revenue that would previously have been deposited in the Prior Agency's Low and Moderate Income Housing Fund will be available to pay debt service on any Bonds. As of September 1, 2013, the Agency has \$117,605,000 principal amount of bonds outstanding that are payable from the Housing Set-Aside.

Pass-Through Obligations

In accordance with the Dissolution Act, the County is obligated to pay a portion of tax increment generated in the Project Area to taxing agencies within the boundaries of the Project Area. Previously, this was the Prior Agency's obligation. See "THE PROJECT AREA – Statutory Tax Sharing." The County's obligation to make pass-through payments to these taxing agencies is senior to the Agency's obligation to pay debt service on the Series 2013 Bonds.

Future Initiatives and Legislation

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

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

CERTAIN RISK FACTORS

Investment in the Series 2013 Bonds involves risks. The following information should be considered by prospective investors in evaluating the Series 2013 Bonds. However, this is not an exclusive listing of risks and other considerations that may be relevant to investing in the Series 2013 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

The various legal opinions to be delivered concurrently with the issuance of the Series 2013 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies, and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights, including equitable principles.

Tax Increment Revenue Limitation

The Agency's ability to collect tax increment is limited not only by the time limits on the repayment of debt, but also by the cap on tax increment, the Plan limit, applicable to the Project Area. See "LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation." The Plan Limit applies not only to Tax Revenues available to pay debt service on the Series 2013 Bonds but also to tax increment revenue used to pay pass-through obligations and the County's tax administration fee. As noted above, while Ordinance 13109, which amended the Plan to increase the Plan Limit to \$3.0 billion, took effect on April 3, 2012, it is subject to challenge by litigation under the Dissolution Act for two years after its date of adoption. Prior to the passage of the Dissolution Act, the period for challenging an ordinance amending a redevelopment plan was 90 days. To date, there has been no challenge filed or threatened with regards to Ordinance 13109.

The Fiscal Consultant currently projects that the Agency's \$3.0 billion Increased Plan Limit will not be reached prior to the Plan time limit (*i.e.*, June 20, 2033) set by Ordinance 13109. If, however, the Increased Plan Limit were to be successfully challenged, the Original Plan Limit of \$1,348,862,000 would continue in effect. Based on County records, as of June 30, 2013, the Agency has received \$932,188,431 of tax increment revenue from the Original Project Area, which amount includes approximately \$5.7 million allocated from the 1982 Amendment Area. The Fiscal Consultant currently projects that the Original Plan Limit will be reached during Fiscal Year 2020-21 based on a 2% average rate of growth in the assessed value of property in the Project Area. Growth in revenue that exceeds current projections may cause this limit to be reached before Fiscal Year 2020-21. Once the applicable Plan limit is reached, no further tax increment revenues will be allocated to the Agency from the Project Area for payment of debt service on any Outstanding Bonds, including the Series 2013 Bonds. See also "THE PROJECT AREA – Redevelopment Plan Limits." In the Indenture, the Agency covenants to take certain actions to avoid reaching the Plan Limit prior to paying debt service on the Outstanding Bonds. See "LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation" and "THE PROJECT AREA – Redevelopment Plan Limitations."

Accuracy of Assumptions

To estimate the Tax Revenues available to pay debt service on the Series 2013 Bonds, the Agency has made certain assumptions with regard to the present and future assessed valuation of taxable property in the Project Area, future tax rates, growth in tax revenues over time, percentage of taxes collected, the amount of funds available for investment and the interest rate at which those funds will be invested. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT." The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentages collected, the amount of the funds available for investment or the interest rate at which they are invested, are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Outstanding Bonds, including the Series 2013 Bonds, will, in all likelihood, be less than those projected herein. See "DEBT SERVICE COVERAGE" and "THE PROJECT AREA – Projected Tax Revenues."

Reduction of Tax Revenues

Tax Revenues allocated to the Redevelopment Property Tax Trust Fund are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area for any reason, including economic factors beyond the Agency's control, relocation out of the Project Area by one or more major property owners, sale of property to a non-profit corporation exempt from property taxation, or the complete or partial destruction of such property caused by, among other eventualities, earthquake or other natural disaster, could cause a reduction in the Tax Revenues that provide for the repayment of and secure the Series 2013 Bonds. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the Series 2013 Bonds.

As described in greater detail under the heading "LIMITATIONS ON TAX – Property Tax Limitations – Article XIII A," below, Article XIII A provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Series 2013 Bonds could reduce Tax Revenues securing the Bonds, including the Series 2013 Bonds.

In addition to the other limitations on, and required application under the Dissolution Act of Tax Revenues on deposit in the Redevelopment Property Tax Trust Fund described herein, the State electorate or Legislature could adopt a constitutional or legislative property tax reduction which would have the effect of reducing Tax Revenues allocated to the Redevelopment Property Tax Trust Fund and available to the Agency. Although the Federal and State Constitutions include clauses generally prohibiting the Legislature's impairment of contracts, there are also recognized exceptions to these prohibitions. There is no assurance that the State electorate or Legislature will not at some future time approve additional limitations that could reduce the Tax Revenues and adversely affect the source of repayment and security of the Bonds, including the Series 2013 Bonds.

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the County-wide unitary values assigned to public utilities was allocated to the Project Area. For Fiscal Year 2012-13, \$2,599,828 of the tax increment revenue allocated to the Agency with respect to the Project Area was attributable to unitary property. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. The extent of any such impact would depend on the proportion of the Project Area's unitary revenue to the total tax revenues generated in the Project Area. For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" and "– Unitary Property."

Assessment Appeals

Property tax values determined by the County Auditor-Controller may be subject to an appeal by the property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner. The reduction in future Project Area taxable values and the refund of taxes affects all taxing entities, including the Agency. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT" for a discussion of assessment appeals within the Project Area. See also "LIMITATIONS ON TAX REVENUES – Appeals to Assessed Values" and "THE PROJECT AREA – Assessment Appeals."

Hazardous Substances

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

Reduction in Inflationary Rate

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

Article XIII A limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Any resulting reduction in the full cash value base over the term of the Bonds could reduce Tax Revenues. See "LIMITATIONS ON TAX REVENUES – Property Tax Rate Limitations – Article XIII A." Since Article XIII A was approved, the annual adjustment for inflation has fallen below the 2% limitation several times, but in Fiscal Year 2010-11 the inflationary value adjustment was negative for the first time at -0.237%. In Fiscal Year 2011-12, the inflationary value adjustment was 0.753%. For Fiscal Year 2012-13, the inflationary value adjustment is 2.00%, which is the maximum permissible increase under Article XIII A. In December, 2012, the State Board of Equalization announced that the inflation factor to be used for values in Fiscal Year 2013-14 was to be the full 2% permissible under Article XIII A. The Agency's current projections of tax increment revenue assume this 2% inflation adjustment for all years of the projection. The Agency is unable to predict if any adjustments to the full cash value of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Bonds. Likewise, delinquencies in the payment of property taxes by the owners of land in the Project Area, and the impact of bankruptcy proceedings on the ability of taxing agencies to collect property taxes, could have an adverse effect on the Agency's ability to make timely debt service payments. The County has elected to follow the procedures of the Teeter Plan, pursuant to which it allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, there can be no assurance the County will continue such practice.

Recognized Obligation Payment Schedule

As described in greater detail under the heading "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recognized Obligation and Payment Schedules," the Dissolution Act provides that, commencing on the date the first Recognized Obligation Payment Schedule is valid thereunder, only those payments listed in the Recognized Obligation Payment Schedule may be made by the Agency from the funds specified in the Recognized Obligation Payment Schedule. Before each six-month period, the Dissolution Act requires successor agencies to prepare and approve, and submit to the successor agency's oversight board and the State Department of Finance for approval, a Recognized Obligation Payment Schedule pursuant to which enforceable obligations (as defined in the Dissolution Act) of the successor agency are listed, together with the source of funds to be used to pay for each enforceable obligation. Tax Revenues will not be distributed from the Redevelopment Property Tax Trust Fund by the County Auditor-Controller to the Agency's Redevelopment Obligation Retirement Fund without a duly approved and effective Recognized Obligation Payment Schedule obtained in sufficient time prior to the January 2 or June 1 distribution dates, as applicable. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Recognized Obligation Payment Schedules" and "PROPERTY TAXATION IN CALIFORNIA – Property Tax Collection Procedures – Recognized Obligation Payment Schedule." In the event the Agency fails to file a Recognized Obligation Payment Schedule with respect to a six-month period, the availability of Tax Revenues to the Agency could be adversely affected for such period.

AB 1484 Penalty for Failure to Remit Unencumbered Funds

AB 1484 further implements certain provisions of AB 1X 26, including establishing a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, the Agency must remit to the County Auditor-Controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes. If there is a meet and confer process, the Agency must remit the amount of unobligated balances within five working days of receiving a subsequent notification from the State Department of Finance of the amount of unobligated balances at the conclusion of that process. If the Agency fails to remit the amounts determined by the State Department of Finance by the respective deadlines, certain penalties and remedies apply under AB 1484. Among such penalties and remedies, if the City that established the redevelopment agency is performing the duties of the successor agency, the State Department of Finance may order an offset to the city's sales and use tax revenues equal to the amount the successor agency fails to remit. If the State Department of Finance does not order an offset, the County Auditor-Controller may reduce the property tax allocation of the City. Alternatively or in addition to the remedies discussed in the foregoing sentences, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of property tax to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid. Pertinent to the Series 2013 Bonds, if the Agency were to fail to remit to the County Auditor-Controller the amounts of unobligated balances determined by the State Department of Finance within the time frames required under AB 1484, the State Department of Finance may direct the County Auditor-Controller to deduct the unpaid amount from future allocations of tax revenues to the Agency under Section 34183 of the Dissolution Act until the amounts required to be remitted are paid. As of December 7, 2012, the Agency promptly remitted to the County Auditor-Controller the amounts of unobligated balances relating to affording housing funds, determined by the State Department of Finance in the amount of \$8,480,063. As of May 23, 2013, the Agency promptly remitted to the County Auditor-Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of \$32,477,484. The Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance.

State Budget Issues

AB 1X 26 and AB 1484 were enacted by the State Legislature and Governor as trailer bills necessary to implement provisions of the State's budget acts for its Fiscal Years 2011-12 and 2012-13, respectively. According to the State's Summary of the 2012-13 State budget, AB 1484 implements a framework to transfer cash assets previously held by redevelopment agencies to cities, counties and special districts to fund core public services, with assets transferred to schools offsetting State general fund costs. As set forth in the State's Summary of the enacted 2013-14 State budget, the dissolution of redevelopment agencies resulting from the enactment is AB 1X 26, and AB 1484, is projected to save the State \$2.1 billion in 2012-13 and \$1.5 billion in 2013-14. On an ongoing basis, the State estimates such savings to be \$825 million annually. There can be no assurance that additional legislation will not be enacted in the future to implement additional provisions relating to the State budget or that may affect the

current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26 and AB 1484.

Bankruptcy and Foreclosure

The payment of the tax increment revenue from which Tax Revenues are derived and the ability of the County to foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds (including Bond Counsel's approving legal opinion) will be qualified as to the enforceability of the various legal instruments by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights, by the application of equitable principles and by the exercise of judicial discretion in appropriate cases.

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

Concentration of Ownership

The risk of reduction in assessed value as a result of the factors described herein may generally increase where the assessed value within the Project Area is concentrated among a relatively few number of property owners. Ownership of property in the Project Area is highly concentrated, with the ten largest taxpayers accounting for 30.51% of the Fiscal Year 2013-14 assessed valuation and 32.49% of the Project Area incremental value. See "THE PROJECT AREA – Principal Taxpayers." Significant reductions in the assessed values of these taxpayers, could, by itself or in combination with other factors, have a material adverse effect on the tax increment revenues payable to the Agency, and therefore, the Agency's ability to make timely principal and interest payments with respect to the Series 2013 Bonds.

Seismic Factors

The assessed valuation of properties in the Project Area could be substantially reduced as a result of a major earthquake proximate to the Project Area. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Project Area. The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault, resulted in substantial damage to the infrastructure and property in the City. In addition to the San Andreas Fault, faults that could affect the Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. If there were to be an occurrence of severe seismic activity in the Project Area, there could be a negative impact on assessed values of taxable values of property in the Project Area and could result in a reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the Bonds.

Changes in the Law or Interpretation of the Law

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

The Dissolution Act is new and implementation of its provisions have been and will be subject to differing interpretations by different stakeholders, including the State Department of Finance, the State Controller, oversight boards, successor agencies, auditor-controllers, and others, and the Dissolution Act could be subject to further legislative or judicial review. The Agency cannot predict outcomes of, or impact, of any such interpretations or reviews, on availability of Tax Revenues to pay the Bonds.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2013 Bonds or, if a secondary market exists, that the Series 2013 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

As described in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Additional Parity and Subordinate Debt,” the Agency may issue or incur obligations payable from Tax Revenues on parity with its pledge of Tax Revenues to payment of debt service on the Series 2013 Bonds. The existence of, and the potential for, additional Parity Obligations increases the risks associated with the Agency's payment of debt service on the Series 2013 Bonds in the event of a decrease in the Agency's collection of Tax Revenues. However, Section 34177.5 of the Dissolution Act provides limited authority for successor agencies to issue bonds, and the Agency's ability to issue Additional Parity Bonds is subject to the requirements of the Dissolution Act as in effect from time to time. For additional information, see described “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS – Additional Parity and Subordinate Debt.”

No Validation Proceeding Undertaken

California Code of Civil Procedure Section 860 authorizes public agencies to institute a process, otherwise known as a “validation proceeding,” for purposes of determining the validity of a resolution or any action taken pursuant thereto. Section 860 authorizes a public agency to institute validation proceedings in cases where another statute authorizes its use. Relevant to the Series 2013 Bonds, California Government Code Section 53511 authorizes a local agency to “bring an action to determine the validity of its bonds, warrants, contracts, obligations or evidences of indebtedness.” Pursuant to Code of Civil Procedure Section 870, a final favorable judgment issued in a validation proceeding shall, notwithstanding any other provision of law, be forever binding and conclusive, as to all matters herein adjudicated or which could have been adjudicated, against all persons: “The judgment shall permanently enjoin the institution by any person of any action or proceeding raising any issue as to which the judgment is binding and conclusive.”

The Agency has not undertaken or endeavored to undertake any validation proceeding in connection with the issuance of the Series 2013 Bonds. The Agency and Bond Counsel have relied on the provisions of AB 1484 authorizing the issuance of the Series 2013 Bonds and specifying the related deadline for any challenge to the Series 2013 Bonds to be brought. Specifically, Section 34177.5(e) of the Dissolution Act provides that notwithstanding any other law, an action to challenge the issuance of bonds (such as the Series 2013 Bonds), the incurrence of indebtedness, the amendment of an enforceable obligation, or the execution of a financing agreement authorized under Section 34177.5, must be brought within 30 days after

the date on which the oversight board approves the resolution of the successor agency approving the such financing. Such challenge period expired with respect to the Series 2013 Bonds and the Oversight Board Resolution on July 17, 2013.

It is possible that a lawsuit challenging the Dissolution Act or specific provisions thereof based on the inability of successor agencies to meet their obligations to bondholders as those obligations become due, or to pay any other of their other obligations, could be successful and that the mechanisms currently provided for under the Dissolution Act to provide for distribution of Tax Revenues to the Agency for payment on the Series 2013 Bonds could be impeded and result in a delinquency or default in the timely payment of principal of, and interest on, the Series 2013 Bonds.

Any action by a court to invalidate provisions of the Dissolution Act required for the timely payment of principal of, and interest on, the Series 2013 Bonds could be subject to the same issues regarding an impairment of contract or unconstitutional taking without just compensation as raised in the Syncora Lawsuit (see "LITIGATION" herein). The Agency believes that the aforementioned considerations would provide some protections against the adverse consequences upon the Agency and the availability of Tax Revenues for the payment of debt service on the Series 2013 Bonds in the event of successful challenges to the Dissolution Act or portions thereof. However, the Agency does not guarantee that the Syncora Lawsuit or any other lawsuit challenging the Dissolution Act or portions thereof will not result in an outcome that may have a detrimental effect on the Agency's ability to timely pay debt service on the Series 2013 Bonds.

Series 2013 Bonds Are Limited Obligations

The Series 2013 Bonds are special, limited obligations of the Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Agency, and none of the City, the State or any of their political subdivisions other than the Agency is liable for the payment thereof. The principal of, and interest on, the Series 2013 Bonds are payable solely from Tax Revenues allocated to the Agency from the Project Area and certain other funds pledged therefor under the Indenture. The Series 2013 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS." No Owner of the Series 2013 Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or interest due, on the Series 2013 Bonds.

THE PROJECT AREA

General

The Project Area encompasses an area of approximately 828 acres, covering approximately 300 city blocks, including the entire Central Business District. The Project Area is the economic and transportation hub of the East Bay portion of the San Francisco-Oakland Metropolitan Area. It contains nearly 27 major office buildings of over 100,000 square feet each with approximately 10.5 million total square feet of rentable class A and B office space. According to Cushman & Wakefield reports for 4Q of 2011 and for 4Q of 2012, relating to the office space market in Oakland, the Central Business District has shown a decline in vacancies despite some space that recently came available. From 4Q 2011 to 4Q 2012, the vacancy rate in the Oakland Central Business District fell from 14.7% to 13.9%. The Project Area is comprised of two major sub-areas, Lake Merritt and City Center. The Lake Merritt area has shown a significant decline in the vacancy rate, falling from 14.5% to 12.2% between 4Q 2011 and 4Q 2012. However, the vacancy rate increased in the City Center area, despite some major new leases with Ask.com (71,464 square feet) and GT Nexus, (44,425 square feet), due

to a sale and partial vacancy of 1221 Broadway by the previous owner, The Clorox Company. The vacancy rate for City Center increased from 10.4% to 12.2% between 4Q 2011 and 4Q 2012.

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

Action Areas

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

City Center. The City Center action-area is a major mixed-use, multi-purpose development on a five-block site assembled by the Prior Agency. It consists of five major elements: (i) six blocks which are developed, owned and/or managed by various developers as retail, office and other commercial developments, including the 555 City Center building, a 470,000 square-foot office development by the Shorenstein Company; (ii) the two blocks developed by DWA-Fed Oak for the 700,000 gross square-foot Ronald V. Dellums Federal Building; (iii) the City Center West Garage (a 1,452-space garage owned by the Agency); (iv) one block in development under a Disposition and Development Agreement with the Shorenstein Company for 0.6 million square-feet of office space, which was sold in 2008 and for which construction had commenced but is currently on hold due to market conditions; (v) the City Center T-10 Site developed by Wood Partners as Domain by Alta, a 262-unit rental housing development with 3,000 square feet of retail space completed on January 23, 2012; (vi) the City Center T5 & T6 proposed for approximately 7,500 square feet of retail space and 580,000 square feet of office space; and (vii) the three blocks of Preservation Park (consisting primarily of office space leased to nonprofit organizations) plus Landmark Place (a half-block to be built out with a 92-unit residential condominium complex, which was completed in January 2004 and which sold out in under four months).

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

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

Uptown. In 2008 Uptown Housing Partners, LLC, a single-purpose entity created by Forest City Residential West, and the Prior Agency completed development on 665 units of rental housing, 9,000 square feet of retail space and a 25,000 square foot public park. Major projects in the area include: the City Administration Complex, the Rotunda Building (187,000 square feet of office space and 57,000 square feet of commercial space), Thomas Berkley Square Building (119,000 square foot County facility), Center Twenty One (195,000 square feet of office and 20,000 square feet of retail) completed in late 2007, and the Fox Theater Rehabilitation Project (including restoration of the Theater into a live show entertainment venue and renovation of the wrap around buildings into a home for the Oakland School for the Arts)

completed in late 2008. The Thomas Berkley Square Condominiums (88 units) were completed August 17, 2009, and the Fox Court apartments (80 rental units affordable at 25% to 60% of AMI) were completed July 30, 2009. In addition, hundreds of construction jobs as well as permanent jobs have been created. These jobs have primarily gone to City and East Bay residents.

Other Developments in the Project Area

The Prior Agency's Façade and Tenant Improvement Programs encouraged the rehabilitation of retail space throughout the Project Area and led to a substantial decrease in the vacancy rates, an increase in value to commercial property values and an increase in sales tax. There has been active investment in small businesses in the Project Area. There were 43 façade projects completed in Fiscal Year 2012-13. During Fiscal Year 2012-13, 40 new businesses opened in the Central District Project Area. Continuing the trend of new local food-oriented businesses in Oakland and Downtown, 26 of these businesses were food-related, including restaurants, bars, bakeries, cafes and a supermarket. The other 11 retailers consist of art galleries and clothing stores inspired by the success of the Oakland Art Murrum and the influx of artists and arts-related uses. The last 3 businesses were service-related: namely, a yoga studio, a men's barber shop and a women's hair salon. Over the past four years 161 façade projects and 135 tenant improvement projects have been completed using \$7.1 million in grants to leverage approximately \$21.4 million in private investment. There are an additional 40 façade projects and 40 tenant improvement projects that are in process.

In addition to the development projects in the action areas and the programs listed above, there have been a number of major projects in other parts of the Project Area, including:

- 100 Grand – 238 rental units completed in February 2010.
- Oakland Convention Center-Marriott City Center Hotel Complex, including \$7.75 million invested by the Agency to renovate the 48,000 square foot Convention Center which will be completed by the end of 2013, and \$19.0 million spent by CIM Group to renovate the 484 room hotel, which was completed in July 2011.

There are also several development sites in the Project Area owned by the Agency for which interested developers have been identified or requests for proposals will be issued, including: (1) 1800 San Pablo - a 107,500 square feet mixed-use retail/entertainment project with approximately 200 public parking spaces to be paid for and owned by the City; (2) 23rd & Valdez - approximately 10,000 square feet of retail, 200-250 residential units, and both public and residential parking; (3) Uptown Parcel 4 - a mixed use site with high retail potential; and (4) Telegraph Plaza Garage - another mixed use site with high retail potential. Capital projects have been planned for these sites, which projects were listed on the 2011 Central District Statement of Indebtedness, as well as on the final Enforceable Obligation Payment Schedule ("EOPS") prior to dissolution. They are proposed for development over the next five years.

Projections of tax revenues in the Project Area do not include any increase in assessed value resulting from completion of the projects listed, other than transfers of ownership that have occurred after the January 1, 2013 lien date for the Fiscal Year 2013-14 tax rolls. These include a total of 164 transfers of ownership that resulted in an addition of \$32.4 million in value. This additional value has been included in the projected assessed values for Fiscal Year 2014-15. Neither the Agency nor the Fiscal Consultant can guarantee that these projects will be completed as described or on schedule, or what, if any, increases in assessed value will result from their completion. See APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

Controls, Land Use and Building Restrictions

The Central District Urban Renewal Plan (the “**Plan**”) designates five major use areas that cover the entire Redevelopment Project Area: commercial, civic and institutional, residential, general industrial and open space. The City's General Plan, Planning Code, Municipal Code, and other City codes and ordinances apply throughout the Project Area.

Redevelopment Plan Limitations

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

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

Table 1
Central District Redevelopment Project Area
Summary Plan Data ⁽¹⁾

	<u>Original Project Area</u>	<u>2002 Amendment Area</u>
Time Limit for Debt Issuance	Eliminated	July 24, 2021
Time Limit for Plan Activities	June 12, 2023	July 24, 2033
Time Limit for Receipt of Tax Increment	June 12, 2033	July 24, 2048
Maximum Tax Increment Collections ⁽²⁾	\$3.0 billion	No separate limit

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

⁽²⁾ See discussion above under the caption “LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation and – Redevelopment Time Limits.”

Plan Limit. Based on current projections, the \$3 billion Increased Plan Limit implemented by the Seventeenth Amendment to the Plan will not be reached prior to the expiration of time limits established by the Seventeenth Amendment. The Fiscal Consultant estimates that in order for the \$3 billion Increased Plan Limit to be exceeded prior to June 12, 2033, the Project Area would have to sustain growth of more than 7.5% per year. Annual growth in assessed value within the Original Project Area over the past 10 years has averaged 5.18%. If, however, the Increased Plan Limit were to be successfully challenged, the Original Plan Limit would continue in effect, and is currently projected to be reached during Fiscal Year 2020-21. Even if the current average growth of 5.18% is sustained, the Original Plan Limit would be reached during Fiscal Year 2020-21. If the Original Plan Limit were in effect, once the Agency reaches that Plan Limit, it would not be allocated any tax increment revenue from the Original Project Area to pay debt service on the Series 2013 Bonds.

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

- (i) The Agency will manage its fiscal affairs in a manner which ensures that it will have sufficient Tax Revenues available under the Plan Limit in the amounts and at the times required to enable the Agency to pay the principal of and interest and premium (if any) on the outstanding Bonds (*i.e.*, the Series 2013 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture) and any outstanding Parity Debt when due.
- (ii) The Agency will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), as well as future cumulative Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from Tax Revenues that are senior to the Series 2013 Bonds, and payments on obligations that are subordinate to the Series 2013 Bonds. If, based on such review, the allocation of Tax Revenues to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to 90% of the amount remaining under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues) to fall below the remaining cumulative Annual Debt Service, estimated future fees of the Trustee and any other obligations of the Agency payable from Tax Revenues that are senior to the Series 2013 Bonds, and payments on obligations that are subordinate to the Series 2013 Bonds, the Agency will either –
 - (A) defease Bonds or other Parity Debt by depositing an amount of Tax Revenues equal to the amount that is required to ensure continuing compliance with clause (i) above (by defeasing Bonds or other Parity Debt) in a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Series 2013 Bonds or other Parity Debt, which escrow shall be invested in non-callable Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Series 2013 Bonds or other Parity Debt, or
 - (B) adopt a plan approved by an Independent Redevelopment Consultant which demonstrates the Agency's continuing ability to pay debt service on the Series 2013 Bonds. In determining the amount to be deposited in escrow with the Trustee, the Agency shall not take into account any actual or projected interest earnings on the amounts so deposited.
- (iii) The Agency will annually, no later than December 1, transmit to the Trustee, a Written Certificate of the Agency setting forth the calculation described above, including the remaining Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from tax increment revenues, remaining tax increment under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), the amount of tax increment revenues allocated to the Agency during the one year period covered by the statement, and the amount, if any, to be used

or escrowed for use to pay principal and interest on the Series 2013 Bonds. The Agency agrees that the information provided to the Trustee in such Written Certificate will be included in each annual report provided pursuant to the Continuing Disclosure Certificate. See "APPENDIX F – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

As discussed above under the captions "LIMITATIONS ON TAX REVENUES – Tax Increment Revenue Limitation" and "CERTAIN RISK FACTORS – Tax Increment Revenue Limitation", based on current projections, the \$3.0 billion Increased Plan Limit will not be reached prior to the expiration of the time limits established by the Seventeenth Amendment. However, if the Increased Plan Limit were to be successfully challenged, the Fiscal Consultant's projections indicate that 90% of the Original Plan Limit will be reached during Fiscal Year 2018-19. Even if the current average growth of 5.18% continues, 90% of the Original Plan Limit will be reached during Fiscal Year 2018-19. The County Auditor-Controller has indicated its intent to abide by tax increment and other limits contained in a redevelopment plan. However, the State Department of Finance's position on the enforceability of time and tax increment limits contained in redevelopment plans is unclear.

Statutory Tax Sharing

In adopting the provisions of SB 211 eliminating the time limit on debt incurrence (see "TAX REVENUE LIMITATIONS – Redevelopment Time Limits" above), the Agency triggered statutory tax sharing for the Original Project Area, commencing with Fiscal Year 2004-05, with those taxing entities that do not have tax sharing agreements with the Agency. Under current law, the statutory pass-through payments for the Original Project Area are effective until the time limit on plan effectiveness. However, legislation (Senate Bill 530) has been introduced that would, if adopted, extend the payments until the last date to repay debt with tax increment, for the Original Project Area. Most counties, however, believe that, notwithstanding SB530, the obligation to make statutory pass-through payments will continue until the date of the redevelopment plan's time limit for receipt of tax increment. The 2002 Amendment Area is subject to statutory tax sharing under Section 33607.5 of the Redevelopment Law. Because no taxing entities had tax sharing agreements with the Agency, all of the Agency's tax-sharing entities are eligible to receive statutory pass-through payments.

Statutory tax sharing is calculated based on the increase in assessed valuation after the year in which the limitation would otherwise have become effective, and, unless subordinated by the entities receiving the tax sharing payments, is senior to the obligations of a redevelopment agency with respect to bonded indebtedness.

Based on calculations performed by the County and the Fiscal Consultant, the Agency's net pass-through payment obligation to the taxing entities eligible for statutory payments for Fiscal Year 2013-14 is expected to be approximately \$4,315,000, and, according to County records, was \$3,714,040 in Fiscal Year 2012-13. Pursuant to the formulas under AB 1290, the Agency will incur a secondary tier of pass-through payment obligations beginning in Fiscal Year 2016-17, and all statutory pass-through payments will increase in future years even if tax increment does not increase, but they will also increase as a result of tax increment increases. For more information, see APPENDIX C – "REPORT OF THE FISCAL CONSULTANT."

Historical and Current Tax Revenues

The Agency's primary source of funds to make payments of principal of, premium, if any, and interest on the Series 2013 Bonds will be Tax Revenues to be deposited in the Redevelopment Obligation Retirement Fund.

The following Table 2 presents the taxable value of all property within the Project Area for Fiscal Years 2009-10 through 2013-14.

Table 2
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
Property Taxable Values

<u>Secured</u> ⁽¹⁾	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>Revised Base Year (2012-13)</u>	<u>2012-13</u>	<u>2013-14</u>
Land	\$1,104,227,823	\$1,008,440,231	\$985,787,411	\$222,584,145	\$988,650,156	\$1,022,918,545
Improvements	3,517,961,093	3,206,966,764	3,320,572,300	0	3,350,273,604	3,412,213,690
Personal Property	33,943,712	36,927,536	39,644,485	0	41,483,837	30,565,550
Exemptions	<u>(217,224,787)</u>	<u>(222,932,340)</u>	<u>(203,611,538)</u>	<u>0</u>	<u>(358,372,253)</u>	<u>(331,778,034)</u>
Total Secured	<u>\$4,438,907,841</u>	<u>\$4,029,402,191</u>	<u>\$4,142,392,658</u>	<u>\$222,584,145</u>	<u>\$4,022,035,344</u>	<u>\$4,133,919,751</u>
 <u>Unsecured</u>						
Land	\$49,929,608	\$53,274,500	\$58,950,294	\$0	\$79,869,532	\$80,378,949
Improvements	167,004,832	238,061,406	226,988,681	0	272,712,003	275,868,875
Personal Property	170,193,788	176,884,530	177,601,872	62,484,067	199,917,276	213,845,758
Exemptions	<u>(10,048,101)</u>	<u>(12,659,097)</u>	<u>(26,136,572)</u>	<u>0</u>	<u>(26,309,376)</u>	<u>(24,283,075)</u>
Total Unsecured	<u>\$377,080,127</u>	<u>\$455,561,339</u>	<u>\$437,404,275</u>	<u>\$62,484,067</u>	<u>\$526,189,435</u>	<u>\$545,810,507</u>
GRAND TOTAL	<u>\$4,815,987,968</u>	<u>\$4,484,963,530</u>	<u>\$4,579,796,933</u>	<u>\$285,068,212</u>	<u>\$4,548,224,779</u>	<u>\$4,679,730,258</u>
Secured Growth	11.00%	-9.23%	2.80%		-2.91%	2.78%
Unsecured Growth	13.79%	20.81%	-3.99%		20.30%	3.73%
Overall Growth	11.21%	-6.87%	2.11%		-0.69%	2.89%
Incremental Value	\$4,524,966,738	\$4,193,942,300	\$4,288,775,703		\$4,263,156,567	\$4,394,662,046

⁽¹⁾ Secured values include State assessed non-unitary utility property.

Sources: County of Alameda and HdL Coren & Cone.

Table 3 below reflects historical Tax Revenues received by the Project Area based on Fiscal Years ending June 30, 2009, through June 30, 2013. The County allocates revenue to the Agency based on 100% of revenue derived from incremental value along with current year and prior year supplemental revenues based on collections. However, supplemental revenues are not included in the City's projections of tax increment revenues.

Table 3
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
Tax Revenues Received

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13⁽³⁾</u>
Tax Increment Revenues	\$49,516,562	\$55,154,915	\$49,379,113	\$49,711,626	\$46,812,746
State Unitary Tax	2,197,535	2,450,549	2,629,820	2,741,788	2,599,828
Gross Tax Revenues	\$51,714,097	\$57,605,464	\$52,008,933	\$52,453,414	\$49,412,574
Less County Admin Fees	(319,867)	(405,786)	(395,208)	(390,347)	(396,229)
Less Housing Set-Aside (20%) ⁽¹⁾	(10,342,819)	(11,521,093)	(10,401,787)	(10,490,683)	(9,882,515)
Less Tax Sharing Payments	(3,795,410)	(4,888,133)	(3,987,322)	(1,705,146) ⁽²⁾	(3,714,040)
Net Tax Increment Revenues	\$37,256,001	\$40,790,453	\$37,224,616	\$39,867,238	\$35,415,790

⁽¹⁾ With the adoption of ABx1 26, the Housing Set-Aside Requirement was eliminated.

⁽²⁾ This figure reflects pass through payments from January 2012 tax increment remittance. The second half of the pass through payments occurred after the dissolution of redevelopment agencies and such payments were paid directly from RPTTF by the County.

⁽³⁾ Gross Tax Revenues for 2012-13 are lower than the prior year due to a small reduction in incremental value and because a portion of revenue attributable to FY 2012-13 will not be allocated until the RPTTF allocation for January 2014. Tax Sharing amounts are higher than those that have been calculated by the former Agency in past years due to a change in methodology employed by the County Auditor-Controller at the time they took over calculation of these payments pursuant to the dissolution legislation.

Totals may not add due to independent rounding.

Sources: County of Alameda and HdL Coren & Cone.

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Principal Taxpayers

The following Table 4 lists the ten largest taxpayers in the Project Area in terms of their Fiscal Year 2013-14 assessed valuation:

Table 4
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
10 Largest Local Taxpayers
Fiscal Year 2013-14

<u>Taxpayers</u> ⁽¹⁾	<u>Total</u> <u>Taxable Value</u>	<u>% of</u> <u>Total Value</u>	<u>% of</u> <u>Inc. Value</u>
OCC Venture LLC	\$241,173,092	5.15%	5.49%
Kaiser Foundation Health Plan Inc. ⁽²⁾	190,361,814	4.07	4.33
CIM Oakland Center 21 ⁽²⁾	180,246,000	3.85	4.10
CIM Oakland 1 Kaiser Plaza ⁽²⁾	132,819,941	2.84	3.02
Digital 720 2nd ⁽²⁾	127,825,966	2.73	2.91
1800 Harrison Foundation	127,509,307	2.72	2.90
Uptown Housing Partners LP	127,139,186	2.72	2.89
555 Twelfth Street LP	121,289,573	2.59	2.76
Westcore City Center	110,000,000	2.35	2.50
Alta City Walk	<u>69,248,581</u>	<u>1.48</u>	<u>1.58</u>
Top Ten Property Owner Totals:	\$1,427,613,460	30.51%	32.49%
Project Area Totals:	\$4,679,730,258	30.51%	
Project Area Incremental Value:	\$4,394,662,046	32.49%	

⁽¹⁾ All taxpayers, except for Digital 720 2nd, are located within the Original Central District Project Area.

⁽²⁾ Pending appeals on parcels.

Totals may not add due to independent rounding.

Sources: County of Alameda and HdL Coren & Cone.

Land Use

The following Table 5 presents the breakdown of land uses within the Project Area by parcel and taxable assessed value for Fiscal Year 2013-14. It is based on the lien date tax roll for Fiscal Year 2013-14.

Table 5
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
Project Area Land Use Categories
Fiscal Year 2013-14

<u>Land Use</u>	<u>No. of Parcels</u>	<u>Net Taxable Value</u>	<u>% of Total</u>
Commercial	1,243	\$2,373,404,527	50.72%
Residential	3,695	1,443,862,783	30.85
Unsecured	0	545,810,507	11.66
Vacant Land	110	51,673,772	1.10
Industrial	134	235,651,724	5.04
Institutional	35	10,028,486	0.21
Recreational	58	19,265,653	0.41
Exempt	221	0	0.00
SBE Nonunitary	0	37,130	0.00
	5,496⁽¹⁾	\$4,679,734,582	100.00%

⁽¹⁾ From FY 2012-13 to FY 2013-14, the number of residential parcels decreased by 350 (from 4,405 to 3,695) as a result of the recategorization of formerly individual residential condominium units into single residential parcels.

Sources: County of Alameda and HdL Coren & Cone.

Assessment Appeals

As previously discussed under "LIMITATIONS ON TAX REVENUES - Assessment Appeals," property owners may apply for a reduction of their property tax assessment by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. There are currently 343 pending assessment appeals within the Project Area. The values under appeal total \$2.1 billion and the owners are seeking reductions totaling \$861.7 million. Based on the average number of appeals allowed over the past five years and the average reduction in value achieved in those successful appeals, the Fiscal Consultant estimates that 252 of the currently pending appeals will be allowed with a reduction of \$294.1 million. The expected reduction in value has been incorporated into the projections as a reduction in assessed value for Fiscal Year 2014-15. See APPENDIX C – "REPORT OF FISCAL CONSULTANT."

Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the General Levy Rate of \$1.00 per \$100 of taxable values and the Override Tax Rate. The Override Tax Rate is that portion of the tax rate that exceeds the General Levy Tax Rate in order to pay voter-approved indebtedness or contractual obligations that existed prior to the enactment of Proposition M. The

tax rate for secured property is annually adjusted to reflect the Override Tax Rate levied for the current year. The tax rate for unsecured property is set as the previous year's tax rate on secured property. See "LIMITATIONS ON TAX REVENUES" and "CERTAIN RISK FACTORS – Reduction of Tax Revenues."

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

All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that are applied to secured value in the Project Area for Fiscal Year 2012-13 are set forth in Table 6. The Eligible Tax Rate shown below will be the same for Fiscal Year 2013-14, and is projected to remain unchanged through the termination date shown below.

Table 6
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
Secured Tax Rate

		<u>Termination Date</u>
General Levy	1.00000%	
City of Oakland	0.15750	2026
Total Agency Eligible Tax Rate:	1.15750%	
Non-Agency Eligible Tax Rates		
Oakland Unified School District Bonds	0.13840	
Peralta Community College District	0.04340	
Bay Area Rapid Transit District	0.00430	
East Bay Regional Park #1	0.00510	
EBMUD Special District #1	0.00680	
City of Oakland	0.05021	
Total Tax Rate:	1.40571%	

Sources: County of Alameda and HdL Coren & Cone.

Projected Tax Revenues

The following Table 7 details projected Tax Revenues in the Project Area available for payment of debt service on the Series 2013 Bonds. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

Table 7
Oakland Redevelopment Successor Agency
Central District Redevelopment Project Area
Projection of Incremental Taxable Value & Tax Increment Revenue
(000s omitted)

Taxable Values ⁽¹⁾	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Real Property ⁽²⁾	4,459,602	4,281,173	4,366,797	4,454,133	4,543,216	4,634,080	4,726,761	4,821,297	4,917,723	5,016,077	
Personal Property ⁽³⁾	<u>220,128</u>										
Total Projected Value	4,679,730	4,501,302	4,586,925	4,674,261	4,763,344	4,854,208	4,946,890	5,041,425	5,137,851	5,236,205	
Taxable Value over Base	285,068	4,394,662	4,216,233	4,301,857	4,389,193	4,478,276	4,569,140	4,661,821	4,756,357	4,852,783	4,951,137
Gross Tax Increment Revenue ⁽⁴⁾	50,868	48,803	49,794	50,805	51,836	52,888	53,961	55,055	56,171	57,309	
Unitary Tax Revenue ⁽⁵⁾	<u>2,600</u>										
Gross Revenues	53,468	51,403	52,394	53,405	54,436	55,488	56,560	57,655	58,771	59,909	
LESS:											
SB 2557 Admin. Fee ⁽⁶⁾	(429)	(413)	(421)	(429)	(437)	(446)	(454)	(463)	(472)	(481)	
<u>Tax Sharing:</u>											
Statutory Tax Sharing Tier 1 ⁽⁷⁾	(4,315)	(3,902)	(4,100)	(4,302)	(4,508)	(4,719)	(4,933)	(5,152)	(5,375)	(5,603)	
Statutory Tax Sharing Tier 2 ⁽⁷⁾	0	0	0	(68)	(237)	(410)	(585)	(765)	(948)	(1,134)	
Statutory Tax Sharing Tier 3 ⁽⁷⁾	<u>0</u>										
Tax Revenues	48,724	47,088	47,873	48,605	49,253	49,914	50,587	51,275	51,976	52,691	
Former Housing Set-Aside Requirement	10,694	10,281	10,479	10,681	10,887	11,098	11,312	11,531	11,754	11,982	
Tax Revenues Less Set-Aside Requirement	38,030	36,808	37,394	37,925	38,366	38,816	39,275	39,744	40,222	40,709	
<u>Subordinate Obligations:</u>											
Rotunda Garage DDA ⁽⁸⁾	(50)	(51)	(52)	0	0	0	0	0	0	0	
Uptown Development DDA ⁽⁸⁾	<u>(1,110)</u>	<u>(1,134)</u>	<u>(1,158)</u>	<u>(1,182)</u>	<u>(1,207)</u>	<u>(1,233)</u>	<u>(1,259)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Net Tax Revenue	<u>47,564</u>	<u>45,903</u>	<u>46,663</u>	<u>47,423</u>	<u>48,046</u>	<u>48,681</u>	<u>49,329</u>	<u>51,275</u>	<u>51,976</u>	<u>52,691</u>	

(Footnotes begin on next page)

- 1) Taxable values as reported by Alameda County.
- 2) Real property consists of land and improvements. Increased for inflation annually at 2%. Values for 2014-15 are decreased for projected losses due to pending assessment appeals by \$294.2 million. Transfers of ownership after the January 1, 2013 lien date are projected to add \$32.4 million in additional value for 2014-15.
- 3) Personal property is held constant at 2013-14 level.
- 4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates except for the City's pre-1989 pension fund override will be directed to the levying entities. Authorization for this City override terminates after Fiscal Year 2025-26.
- 5) Unitary revenue as reported by Alameda County for 2012-13.
- 6) County Administration fee is estimated at 0.80% of Gross Revenue.
- 7) Within Central District, the last date to incur new debt was established as January 1, 2004 by Ordinance No. 11762 CMS pursuant to the Law. This limit was eliminated pursuant to Ordinance No. 12570 CMS. The elimination of this limit triggers the initiation of statutory tax sharing payments. Beginning in fiscal year 2004-05 and using the 2003-04 Project Area value as the base level of value, Taxing Entities began to receive their shares of 25% of total tax increment revenue net of housing set aside. The City is a taxing entity and may opt to receive its share of the first tier of this pass through amount. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above the 10th year value net of housing set aside. Statutory payments are projected to continue through the last date to pay indebtedness. Within the Central District 2002 Annex, all Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10, the Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The City of Oakland is a taxing entity and may elect to receive its share of the Tier 1 tax sharing amount.
- 8) Within Central District, the Agency has entered into two agreements that require it to make payments from tax increment revenue generated by the developments that are the subject of the agreements. The Rotunda Garage agreements require payment of development revenues net of housing set-aside, tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Rotunda payments terminate after Fiscal Year 2015-16. The Uptown Development agreement requires payment of development revenues net of tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Uptown payments continue through 2019-20 and are subordinate to the payment of debt service on the Bonds.

Source: HdL Coren & Cone

The following Table 8 shows estimated annual debt service on the Senior Bonds and Parity Bonds without regard to any optional redemption.

Table 8
Oakland Redevelopment Successor Agency
Central District Project Area
Projected Debt Service Coverage
(000s omitted)

<u>Fiscal Year</u>	<u>Projected Tax Revenues⁽¹⁾</u>	<u>1992 Senior Bonds Debt Service</u>	<u>Tax Revenues Available for Parity Bonds</u>	<u>Series 2006-T Bonds Debt Service⁽²⁾</u>	<u>Series 2009-T Bonds Debt Service⁽²⁾</u>	<u>Series 2013 Bonds Debt Service⁽²⁾</u>	<u>Total Senior and Parity Debt Service</u>	<u>Estimated Combined Coverage</u>
2013/14	\$ 38,030	\$ 6,864	\$ 31,167	\$ 3,709	\$ 5,116	\$ 9,929	\$ 25,618	148%
2014/15	36,808	-	36,808	1,497	6,655	16,794	24,946	148%
2015/16	37,394	-	37,394	1,499	7,765	16,794	26,058	144%
2016/17	37,925	-	37,925	1,498	6,783	16,790	25,071	151%
2017/18	38,366	-	38,366	1,493	7,290	16,795	25,578	150%
2018/19	38,816	-	38,816	1,496	7,040	16,790	25,327	153%
2019/20	39,275	-	39,275	4,206	6,770	14,261	25,237	156%
2020/21	39,744	-	39,744	4,206	-	15,526	19,732	201%
2021/22	40,222	-	40,222	-	-	4,337	4,337	928%
Total	<u>\$ 346,580</u>	<u>\$ 6,864</u>	<u>\$ 339,716</u>	<u>\$ 19,604</u>	<u>\$ 47,418</u>	<u>\$ 128,015</u>	<u>\$ 201,904</u>	

⁽¹⁾ Projected Tax Revenues shown here are tax revenues net of the SB 2557 property tax administration costs, statutory pass-through payments and the former housing set-aside requirement.
⁽²⁾ Debt service for the Bonds is based on Bond Year (as defined in the Indenture).

Source: E. J. De La Rosa & Co., Inc., except for Projected Tax Revenues which are from HdL Coren & Cone.

Prior Agency and Agency Finances

The Prior Agency's audited financial statements for the period of July 1, 2011 through January 31, 2012 and the Agency's audited financial statements for the period of February 1, 2012 through June 30, 2012 (together, the "**2011-12 Financial Statements**") are found in APPENDIX B. The 2011-12 Financial Statements have been audited by Macias, Gini & Company, 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

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Series 2013 Bonds. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2013 Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2013 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2013 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of a Series 2013 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2013 Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2013 Bonds who purchase the Series 2013 Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2013 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2013 Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any

loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series 2013 Bonds under federal individual and corporate alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series 2013 Bond (said term being the shorter of the Series 2013 Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2013 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2013 Bond is amortized each year over the term to maturity of the Series 2013 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Series 2013 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series 2013 Bonds.

In the further opinion of Bond Counsel, interest on the Series 2013 Bonds is exempt from California personal income taxes.

Owners of the Series 2013 Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2013 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 2013 Bonds other than as expressly described above.

CERTAIN LEGAL MATTERS

The validity of the Series 2013 Bonds and certain other legal matters are subject to the approving legal opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A copy of the proposed form of Bond Counsel's opinion is contained in APPENDIX E to this Official Statement, and the final opinion will be made available to the owners of the Series 2013 Bonds at the time of delivery of the Series 2013 Bonds.

Certain legal matters will be passed upon for the Agency by its General Counsel, and for the Underwriters by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California. Additionally, certain legal matters will be passed upon by Curis Bartling, P.C., Oakland, California, as disclosure counsel. Bond Counsel, Disclosure Counsel and Underwriters' Counsel will receive compensation that is contingent upon the sale and delivery of the Series 2013 Bonds. Neither Bond Counsel, Disclosure Counsel, nor Underwriters' Counsel undertakes any responsibility to the purchasers of the Series 2013 Bonds for the accuracy, completeness or fairness of this Official Statement.

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 2013 Bonds, the existence of the Agency, or the title of the officers of the Agency who will execute the Series 2013 Bonds as to their respective offices. The Agency will furnish to the Underwriters of the Series 2013 Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2013 Bonds.

However, the lawsuit described below relates to issues that may affect the distribution of property tax revenues or other moneys to the Agency under the Dissolution Act.

Syncora Lawsuit – Challenge to Dissolution Act

With respect to California successor agencies and the Dissolution Act in general, on August 1, 2012, Syncora Guarantee Inc. and Syncora Capital Assurance Inc. (collectively, “**Syncora**”) filed a lawsuit against the State, the State Controller, the State Director of Finance, and the Auditor-Controller of San Bernardino County on his own behalf and as the representative of all other County Auditors in the State (Superior Court of the State of California, County of Sacramento, Case No. 34-2012-80001215) (the “**Syncora Lawsuit**”). Syncora are monoline financial guaranty insurers domiciled in the State of New York and, as such, provide credit enhancement on bonds issued by state and local governments and do not sell other kinds of insurance such as life, health, or property insurance. Syncora provided bond insurance and other related insurance policies for bonds issued by former California redevelopment agencies.

On March 7, 2013, Syncora filed a First Amended Complaint and Petition for Writ of Mandate (the “**Operative Complaint**”), which Operative Complaint redefines the proposed defendant class to limit the class to County Auditor-Controllers in counties where Syncora insured redevelopment agency bonds.

The Operative Complaint alleges that the Dissolution Act, and specifically the “Redistribution Provisions” thereof (*i.e.*, California Health and Safety Code Sections 34172(d), 34174, 34177(d), 34183(a)(4), and 34188) violate the “contract clauses” of the United States and California Constitutions (U.S. Const. art. 1, § 10, cl.1; Cal. Const. art. 1, § 9) because they unconstitutionally impair the contracts among the former redevelopment agencies, bondholders and Syncora. The Operative Complaint also alleges that the Redistribution Provisions violate the “Takings Clauses” of the United States and California Constitutions (U.S. Const. amend. V; Cal Const. art. 1 § 19) because they unconstitutionally take and appropriate bondholders’ and Syncora’s contractual right to critical security mechanisms without just compensation. Specifically, the Operative Complaint alleges that the security mechanism created by the irrevocable pledge of tax increment revenues to repay the redevelopment agency debts was a critical feature of the redevelopment bonds’ marketability in at least three manners: (i) tax increment revenues which have been previously irrevocably pledged are now subject to restrictive terms such as periodic Recognized Obligation Payment Schedules, Oversight Board approval, and State Department of Finance approval, that unconstitutionally impair the contract providing for such pledge; (ii) excess tax increment revenues previously could be held by a redevelopment agency in reserve to protect against potential future shortfalls (in contrast to the provisions under the Dissolution Act that require the County Auditor-Controller to distribute surplus moneys from the Redevelopment Property Tax Trust Fund amounts to taxing entities each six-month period); and (iii) the former Redevelopment Law and bond indentures or trust agreements governing redevelopment bonds typically included requirements and covenants for the redevelopment agency to use surplus tax increment revenues received in excess of amounts required for debt service on redevelopment activities, which were calculated under the Redevelopment Act to stimulate growth and general increases in assessed valuation, and therefore increase additional security for the bonds, and such covenants have been substantially and unconstitutionally impaired by the Dissolution Act, AB 1484, and in particular the Redistribution Provisions thereof.

The Syncora Lawsuit has been brought as a petition for writ of mandate, complaint for declaratory relief, inverse condemnation, injunctive relief. The injunctive relief sought includes an injunction enjoining the respondents from implementing enforcing, and/or carrying out the Redistribution Provisions, ordering respondents to immediately return all money remitted by successor agencies to local taxing agencies pursuant to the Redistribution Provisions, and ordering respondents to hold all future tax increment revenues in the Redevelopment Property Tax Trust Fund, or a similar fund, for the exclusive benefit of, and distribution to, the bondholders, until such a time when the bondholders are completely repaid.

On May 29, 2013, Judge Kenny issued the ruling of the court (the "**May 29th Ruling**"), denying Syncora any relief on the claims set forth in the Operative Complaint. In response to Syncora's impairment of contacts claims, the court found that that the claims were premature. The court noted that Syncora failed to demonstrate that successor agencies have been prevented from paying, or will be ultimately prevented from paying, debt service on redevelopment agency bonds. The court further noted that Syncora presented no evidence that any redevelopment agency bonds that it insures are in default, or that any redevelopment agency bonds are in default. The court also indicated that the unconstitutional taking claim was not necessarily premature and that an evidentiary hearing could be held to address this claim.

On June 24, 2013, the parties to the lawsuit filed a joint status report which stated that Syncora would waive the evidentiary hearing.

On August 16, 2013, Syncora, the State, the State Controller and the State Director of Finance, jointly filed with the court a proposed stipulated judgment (the "**Proposed Judgment**"). The Proposed Judgment states, among other things, that Syncora has declined the court's offer for an additional evidentiary hearing on its takings claim. In addition, the Proposed Judgment dismisses, without prejudice, Syncora's impairment of contract claim and takings claim on the basis that such claims were filed prematurely. In dismissing its impairment of contract and takings claims without prejudice, Syncora preserves any rights it may have in the future to re-initiate the Syncora Litigation and reassert its contract clause and takings challenges to AB 1X 26. The court is expected to enter the Proposed Judgment as the final judgment in the Syncora Litigation, however, as of September 18, 2013, the court had not yet entered such final judgment.

A number of other lawsuits have been filed that challenge the Dissolution Action or the application of certain of its provisions. The Agency is unable to predict the likely outcome of these actions or the possible impact, if any, of their outcomes on the distribution of property tax revenues or other moneys to the Agency under the Dissolution Act or on the Agency's ability to make payments of principal of and interest on its Bonds, including the Series 2013 Bonds.

FINANCIAL ADVISOR

Urban Futures Inc., Orange, California, has served as Financial Advisor to the Agency with respect to the sale of the Series 2013 Bonds. The Financial Advisor has assisted the Agency in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Series 2013 Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Agency to determine the accuracy or completeness of this Official Statement. Due to their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the Agency contingent upon the sale and delivery of the Series 2013 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of, among other things, the mathematical computations of the amounts deposited in the Escrow Fund to pay when due the redemption price of and accrued interest on the Refunded Bonds will be verified by Grant Thornton, LLP, Minneapolis, Minnesota.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Certificate, the Agency will covenant for the benefit of the holders and beneficial owners of the Series 2013 Bonds to provide certain financial information and operating data relating to the Agency each year by not later than the date which

is nine months following the end of the Fiscal Year (the “**Annual Report**”), commencing with the report for Fiscal Year 2012-13, and to provide, or caused to be provided, to the Municipal Securities Rulemaking Board (“**MSRB**”) certain annual financial information and operating data, including its postaudit of its financial transactions and records for the applicable fiscal year pursuant to Section 34177(n) of the Dissolution Act. In addition, the Agency has agreed to provide notice of certain enumerated events. The Annual Report and the notices of certain enumerated events will be filed by the Agency with the MSRB through its Electronic Municipal Marketplace Access (“**EMMA**”) system. See APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” The covenants set forth in the Continuing Disclosure Certificate of the Agency have been made in order to assist the Underwriters in complying with Rule 15c-12(b)(5) of the Securities and Exchange Commission (the “**Rule**”). Failure of the Agency to comply with these covenants does not constitute an Event of Default under the Indenture. The sole remedy under the Continuing Disclosure Certificate in the event of a failure of the Agency to comply will be an action to compel specific performance.

During the five years prior hereto, neither the Agency nor the City has failed to comply in all material respects with any previous undertaking under the Rule. However, the City and the Prior Agency and the Agency, as applicable, between January 18, 2008 and July 20, 2012 did not file event notices of ratings downgrades by Moody’s, Standard & Poor’s and Fitch Ratings of both the insured ratings and underlying ratings of certain bonds for which they had entered into continuing disclosure undertakings. The insured ratings downgrades resulted from the downgrades of the ratings of the insurers of such bonds.

On August 28, 2013, the Agency made corrective filings setting forth information regarding the ratings downgrades. Additionally, the Agency is instituting additional procedures to ensure timely compliance in the future with its continuing disclosure undertakings, including those initially undertaken by the Prior Agency.

UNDERWRITING

The Series 2013 Bonds will be sold to De La Rosa & Co., Inc. and Stifel Nicolaus & Company, as the underwriters of the Series 2013 Bonds (the “**Underwriters**”) pursuant to a bond purchase contract (the “**Purchase Contract**”) between the Agency and the Underwriters. The Underwriters have agreed to purchase the Series 2013 Bonds for \$113,118,994.60 (which represents the \$102,960,000.00 aggregate principal amount of the Series 2013 Bonds, plus an original issue premium of \$10,519,354.60 and less an Underwriters’ discount of \$360,360.00).

The initial public offering prices of the Series 2013 Bonds may be changed from time to time by the Underwriters. The Purchase Contract provides that the Underwriters will purchase all of the Series 2013 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

De La Rosa & Co., one of the underwriters of the Series 2013 Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Series 2013 Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Series 2013 Bonds, with Credit Suisse Securities USA LLC or City National Securities, Inc.

RATING

Standard & Poor's Ratings Service, a Standard & Poor's Financial Services LLC business, has assigned the Series 2013 Bonds a rating of "A-." A rating reflects only the view of the rating agency giving such rating and is not a recommendation to buy, sell or hold the Series 2013 Bonds. No application has been made to any other rating agency to obtain additional ratings on the Series 2013 Bonds. An explanation of the significance of the rating may be obtained from the rating agency as follows: Standard & Poor's Ratings Group, 55 Water Street, 38th Floor, New York, New York 10041.

There is no assurance that such rating will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agency, if in its judgment circumstances so warrant. The Agency has not undertaken any responsibility to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2013 Bonds.

MISCELLANEOUS

All of the preceding summaries of the Series 2013 Bonds, the Indenture, the Bond Law, the Dissolution Act, the Redevelopment Law, other applicable legislation, agreements and other documents are made subject to the provisions of the Series 2013 Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

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

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

By: _____ /s/ Deanna V. Santana
Agency Administrator

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

Overview

The City of Oakland (the “City” or “Oakland”) is located in the County of Alameda (the “County”) on the eastern shore of the San Francisco Bay (the “Bay”), approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. Occupying approximately 53.8 square miles, the City is the largest and most established of the “East Bay” cities. Its geography ranges from industrialized areas in the west, which border the Bay, to suburban foothills in the east. The City is the hub of an extensive transportation network, which includes several interstate freeways, the western terminus of major railroad and trucking operations, and one of the largest container-ship ports in the United States. The City is also served by an active international airport and the BART, which connects the City by commuter rail with most of the Bay Area. Formerly the industrial heart of the San Francisco Bay Area (the “Bay Area”), the City has developed into a diverse financial, commercial and governmental center. The City is the seat of government for the County and is the eighth most populous city in the State of California (the “State”), with a population of approximately 399,326 as of January 1, 2013.

Oakland has a diverse mix of traditional and new economy companies. Companies are attracted to the City’s excellent quality of life, comparatively low business costs, proximity to research institutions, extensive fiber-optic infrastructure and vast intermodal network. Leading industries include business services, health care services, transportation, food processing, light manufacturing, government, arts, culture, entertainment and tech startups. Prominent employers or businesses headquartered in the City include Clorox Company, Kaiser Permanente, Cost Plus and Dreyer’s Grand Ice Cream.

Culturally, the City is home to a regionally and nationally recognized symphony, many up-and-coming artistic and cultural institutions, an award-winning zoo, the Paramount Theatre and newly-renovated Fox Theater, a burgeoning restaurant scene, the recently remodeled Oakland Museum of California, and a vibrant nightlife. The City is also the only city in California outside of Los Angeles, and the only city in the Bay Area, with three major professional sports teams. The Oakland Athletics, the Golden State Warriors, and the Oakland Raiders all play at stadiums within the City, and at times these venues are used for other purposes, including concerts and other events. Oakland was ranked as the fifth most desirable destination to visit worldwide this year in The New York Times piece “The 45 Places to Go in 2012,” and was the top-ranked U.S. destination.

Oakland was ranked as the fifth most desirable destination to visit worldwide last year in The New York Times piece “The 45 Places to Go in 2012,” and was the top-ranked U.S. destination.

Oakland also was ranked #1 on the list of “The 10 Most Exciting Cities in America” by Movoto.com on May 2, 2013, based on a number of criteria, including the presence of parks and entertainment, population diversity, as well as other quality of life metrics.

As recently reported in CIO.com on February, 13, 2013, Oakland was ranked among the most attractive U.S. cities for tech startups according to a recent report by the National Venture Capital Association (NVCA).

The City boasts one of the highest percentages of parks and open space per capita in the nation. The City counts lush green hills, redwood forests, creeks, an estuary, and two shimmering lakes among its natural amenities, and the extensive East Bay Regional Park District is easily accessible from the City.

The City also is home for three (3) of the top twelve (12) “B” corporations with more than 50 employees, ranked nationally by the non-profit, B Lab, for the companies’ public benefits, as reported by Forbes. These companies are Give Something Back Office Supplies, One Pacific Coast Bank and Sungevity Electricity Systems.

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 City Charter (the “Charter”) provides for the election, organization, powers and duties of the legislative branch, known as the City Council (the “City Council”); the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a citywide basis, governs the City. The mayor of 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 City Council members serve four-year terms staggered at two-year intervals. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The current City Attorney’s term will expire on January 31, 2017.

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, Deanna J. Santana, was appointed on August 1, 2011.

The City provides a full range of services required by State law and the 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 is a central hub city for the Bay Area with a well-connected transportation network including interstate freeways, railroad and trucking operations, an airport and a major west coast port. The City is one of the most diverse cities in the nation with a highly skilled labor pool. Approximately 1 million square feet of retail development have been developed since 2011 or are currently under construction or in planning or design stages.

The following represent some of the major projects in the City that were recently completed or that are currently underway or in the final planning stages located in the City.

Major Announcement:

- The Brooklyn Basin Project was recently announced. It will be a \$1.5 billion project, which will be the largest approved, mixed use master plan in the City. The project will consist of 3,100 housing units, 200,000 square feet of offices and shops, and 30 acres of parks and open space along Oakland's estuary. An estimated 10,000 jobs will be created by its build-out.

Major Projects and Activities Completed:

Arts and Entertainment

- "Art Murmur," held on the first Friday of every month, attracts 25,000 visitors a month to open galleries in Downtown/Old Oakland, Uptown, and Jack London Square.
- Uptown ArtPark opened in April 2013 – the City's first outdoor sculpture park. It is a showplace for large-scale local art for the entire community to enjoy. Oakland was named one of America's Top 12 ArtPlaces in 2013, by ArtPlace America.
- The Fox Theater, which is a national historic landmark, has undergone renovation to become a 3,000 person live performance venue, the home for the Oakland School for the Arts, a 600 student performing arts middle and high school. This was one of the largest historic theater renovations in the nation.
- After a two-year \$58-million renovation, the Oakland Museum of California ("OMCA") welcomed back the public with a dramatically different presentation of its renowned collections. 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 OMCA Natural Sciences Gallery is scheduled for Spring 2013.

Housing

Over the last 14 years, the City has placed an emphasis on constructing housing in the City's downtown area. In 1999, former Mayor of Oakland Jerry Brown introduced the 10K Housing Program, a housing development program which sought to bring an additional 10,000 residents to the City's downtown and Jack London Square areas. Since the implementation of the 10K Housing Program, a total of 45 projects with 4,625 units have been completed, while 1,670 units have planning approvals and 1,439 units are in planning. Once all of these are completed, they will provide housing for approximately 13,150 new residents in downtown Oakland. Major projects include:

- The City Walk Project, referred to as Domain by Alta, includes 264 rental apartments and approximately 3,000 square feet of neighborhood-serving retail business. This project was completed in September 2011.
- The Uptown Housing Project Phase I provides 665 rental apartments, approximately 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park.

Library and Recreation

- The 81st Avenue Library opened in 2011 and is the largest branch library at approximately 23,000 square feet. The library offers more than 30,000 books in English and Spanish languages, a computer lab, an internet café, free Wi-Fi, multimedia

classrooms, a community meeting room and separate areas for children, teens and adults.

- The newly completed East Oakland Sports Center project features an indoor recreational pool, water slide, fitness center, dance and exercise, multipurpose and meeting rooms. The LEED-certified, two story building includes sustainable design elements such as a “cool roof” and the recycled use of grey water.

Major Projects That Are Currently Underway or in the Final Planning Stages:

Mixed-Use Developments

- The MacArthur Transit Village Project is expected to include 624 housing units and approximately 42,500 square feet of retail. Construction of the first phase of the Project, which includes the construction of a public parking garage for BART started in August of 2012 with a projected completion date of September 2013.
- Coliseum Transit Village Phase I consists of a planned mixed-use transit oriented development centered on a portion of the existing Coliseum BART Station parking lot. Phase I will replace a 1.3 acre portion of the existing Coliseum BART parking lot with approximately 100 units of workforce/market rate rental housing and neighborhood serving retail.
- The new proposed Fruitvale Transit Village phase II project is fully entitled for 275 residential units of housing including 277 garage parking stalls. The project is intended to further revitalize the Fruitvale neighborhood, create housing for new residents, reduce air pollution and dependence on cars and increase BART ridership.
- Oak Knoll project is a 167-acre, mixed-use project that calls for the reuse of the former Oak Knoll Naval Medical Hospital, which was decommissioned in 1996. The proposed project calls for 960 residential units and 82,000 square feet of commercial space.

Housing

- The Wood Street Development Project is approved for 1,570 units of housing and 13,000 square feet of neighborhood-serving commercial uses.
- The Lion Creek Crossings Affordable Housing Development has approximately 442 units of affordable family rental housing units that have been completed in Phases I – IV. The final Phase V is fully entitled and will deliver an additional 128 units of affordable rental housing.

Other

- The \$500 million 3.2 mile Oakland International Airport Connector project is currently under construction and is expected to commence operations in late 2014. The new automated guide rail connector is expected to offer reliable world-class service by seamlessly connecting passengers from the Coliseum BART Station directly to the Oakland International Airport in less than nine minutes.
- In October 2012, Prologis CCIG Oakland Global, LLC, entered into a Lease Disposition and Development Agreement for the development of the Oakland Army Base Project. The first phase of this 130-acre project calls for the phased development of public infrastructure, new utilities and roadway improvements followed by private investment in vertical construction by developers and rail access and yard improvements by the Port of

Oakland. Construction will commence during the summer of 2013 and will be phased over an approximately 5- to 6-year period.

- The George P. Scotlan Memorial Convention Center is undergoing a \$7.75 million renovation and modernization in order to enhance its appearance, marketability and the long-term economic success of the aging facility. Completion of the project is anticipated for September 2013. The attached 484-room Marriott Hotel underwent a \$19 million renovation, which was completed in July 2011.
- The Kaiser Hospital Master Plan has completed construction of the first medical office building and new parking structure and has begun construction to replace the existing medical center with a state-of-the-art Medical Center of approximately 1.8 million square feet (exclusive of parking structures) on approximately 21 acres.
- The Alameda County Medical Center has begun its \$668 million Highland Hospital Tower Replacement Project. The new 9-story, 169-bed Acute Care Tower will house inpatient, maternal and child support services when completed in 2017.
- Construction is underway at Alta Bates Summit Medical Center to build a new 250,000 square foot, 238-bed patient care pavilion (an acute care hospital tower and relocated emergency department) and a new 1,067-space parking structure onsite.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2013 at 399,326. This figure represents 25.78% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown 1.05% since last year. The following Table 1 sets forth the estimated population of the City, the County, and the State from calendar years 2009 through 2013.

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

Calendar Year	City ⁽¹⁾	County ⁽¹⁾	State ⁽¹⁾
2009	389,913	1,497,799	36,966,713
2010	390,724 ⁽²⁾	1,510,271 ⁽²⁾	37,253,956 ⁽²⁾
2011	392,333	1,517,756	37,427,946
2012	394,832	1,530,176	37,668,804
2013	399,326	1,548,681	37,966,471

⁽¹⁾ Reflects population estimates as of January 1.

⁽²⁾ As of April 1, includes adjustment for 2010 Census information.

Source: California State Department of Finance, Demographic Research Unit, as shown on May 7, 2013.

Industry and Employment

The following Table 2 sets forth estimates of the labor force, civilian employment, and unemployment for City residents, State residents and United States residents from calendar years 2009 through 2013. The California Employment Development Department has reported preliminary unemployment figures for July 2013 at 9.3% for the State and 11.9% for the City (not seasonally adjusted).

Table 2
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2009 Through 2013

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2009				
City	203,700	171,600	32,100	15.8
State	18,208,300	16,144,500	2,063,900	11.3
United States	154,142,000	139,877,000	14,265,000	9.3
2010				
City	204,700	170,200	35,500	16.9
State	18,316,400	16,051,500	2,264,900	12.4
United States	153,889,000	139,064,000	14,825,000	9.6
2011				
City	203,600	171,800	31,800	15.6
State	18,384,900	16,226,600	2,158,300	11.7
United States	153,617,000	139,869,000	13,747,000	8.9
2012				
City	205,200	179,500	25,700	12.5
State	18,489,600	16,689,200	1,800,400	9.7
United States	154,904,000	143,060,000	11,844,000	7.6
2013 ⁽¹⁾				
City	205,800	181,400	24,400	11.9
State	18,690,400	16,947,000	1,743,500	9.3
United States	157,196,000	145,113,000	12,083,000	7.7

⁽¹⁾ 2013 information reflects July 2013 population figures. City and State information is preliminary.

Source: State Employment Development Department, Labor Market Information Division, as shown on September 4, 2013.

Commercial Activity

The following Table 3 sets forth a history of taxable sales for the City for calendar years 2006 through 2011.

Table 3
City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2006 Through 2011[†]
(\$ In Thousands)

Taxable Retail Sales	2006	2007	2008
Apparel Stores	\$54,090	\$58,448	\$54,558
General Merchandise	181,926	186,346	194,196
Food Stores	183,913	203,400	206,448
Eating & Drinking	433,736	465,224	475,061
Household	69,353	63,822	77,752
Building Materials	325,065	285,930	214,103
Auto Dealers and Supplies	543,896	572,407	407,491
Service Stations	404,202	513,570	673,009
Other Retail	481,694	434,795	368,342
SUBTOTAL	2,677,875	2,783,942	2,670,960
All Other Outlets	1,779,513	1,907,058	1,211,502
TOTAL ALL OUTLETS	\$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 [†]	2010	2011 ^{††}
Motor Vehicle and Parts Dealers	\$312,956	\$322,398	\$360,512
Home Furnishings and Appliance Stores	131,257	127,565	120,093
Building Material and Garden Equipment and Supplies	166,595	152,601	161,559
Food and Beverage Stores	235,529	244,491	260,444
Gasoline Stations	409,514	463,784	582,623
Clothing and Clothing Accessories Stores	61,381	64,695	66,119
General Merchandise Stores	87,274	87,588	141,127
Food Services and Drinking Places	471,705	501,335	529,287
Other Retail	294,565	281,997	282,563
SUBTOTAL	2,170,777	2,246,454	2,504,327
All Other Outlets	1,051,198	1,063,871	1,228,906
TOTAL ALL OUTLETS ^{†††}	\$3,221,975	\$3,310,325	\$3,733,232

[†] Beginning in 2009, the reports convert to using the NAICS codes. As a result of the coding change, industry levels for 2009, 2010 and 2011 are not comparable to those of prior years.

^{††} Most recent data available.

^{†††} Total may not be precise due to rounding.

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

The following Table 4 sets forth the largest industries in the County in terms of employment in each respective industry, as estimated by the State Employment Development Department for calendar years 2008 through 2012:

**Table 4
County of Alameda
Employment by Industry Group
Annual Averages 2008 Through 2012**

Industry Employment ⁽¹⁾	2008	2009	2010	2011	2012
Total Farm	700	700	700	700	600
Manufacturing	72,300	64,100	61,500	63,100	62,900
Other Goods Producing	40,300	33,600	30,400	30,900	33,300
Trade, Transportation and Utilities	131,800	121,700	117,600	118,900	121,900
Information	16,100	14,900	14,000	13,600	13,600
Financial Activities	26,100	22,400	22,900	23,000	23,200
Professional and Business Services	113,900	105,200	108,300	111,400	116,900
Education and Health Services	87,200	87,500	88,000	87,900	90,600
Leisure and Hospitality	56,300	53,900	54,500	56,000	58,300
Other Services	23,700	22,900	23,200	23,300	23,700
Government	<u>124,600</u>	<u>121,200</u>	<u>116,100</u>	<u>116,000</u>	<u>114,800</u>
TOTAL ⁽²⁾	693,300	648,100	637,100	644,700	659,800

⁽¹⁾ Based on place of work.

⁽²⁾ Total may not be precise due to rounding.

Source: State of California, Employment Development Department, Labor Market Information Division, as shown on September 4, 2013.

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The following Table 5 sets forth the top ten major employers in the City, the employees of which represent approximately 22.71% of the labor force, as of June 30, 2012.

**Table 5
City of Oakland
Principal Employers
As of June 30, 2012**

<u>Rank</u>	<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percent of Total Employment⁽¹⁾</u>
1	County of Alameda	County Government	8,843	5.11%
2	Oakland Unified School District	School District	4,496	2.60
3	Kaiser Permanente Medical Group	Health Care	4,418	2.56
4	Dreyer's Grand Ice Cream Inc.	Consumer Goods	4,191	2.42
5	Cost Plus Inc.	Consumer Goods	4,113	2.38
6	City of Oakland	City Government	4,073	2.36
7	Alta Bates Summit Medical Center	Health Care	3,623	2.10
8	Children's Hospital & Research Center	Pediatric Hospital	2,600	1.50
9	Bay Area Rapid Transit District	Public Transportation	1,499	0.87
10	Peralta Community College District	Community College	1,400	0.81
Total			<u>39,256</u>	<u>22.71%</u>

⁽¹⁾ Total employment of 172,896 (2011 estimate) from DemographicsNow.com is used to calculate the percentage of employment.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2012.

Construction Activity

The following Table 6 sets forth a summary of residential and commercial building permit valuations in the City for calendar years 2008 through 2012.

**Table 6
City of Oakland
Building Permit Valuation
Calendar Years 2008 Through 2012**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Building Permits Issued	14,957	13,055	12,951	13,648	13,696
Authorized New Dwelling Units	704	395	555	528	237
Commercial Value (in thousands)	\$213,696	\$117,876	\$95,851	\$108,767	\$150,613
Residential Value (in thousands)	\$258,617	\$196,362	\$168,872	\$179,374	\$159,723

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Year Ended June 30, 2008 through June 30, 2012.

FINANCIAL INFORMATION

City Investment Policy

The authority to invest the City's and the Port of Oakland's pooled moneys (the "Pooled Operating Portfolio") is derived from City Council Resolution No. 56127, which delegates to the City Treasurer 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 City complies with the current statutes governing the investment practices of local governmental entities located within the State. 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 2013-14 on June 18, 2013. The Investment Policy may be revised by the City Council at any time.

The objectives of the Investment Policy are to preserve the 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 amounts 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 Zone Ordinance and the Tobacco Divestiture Resolution.

The following Table 7 summarizes the permitted investments under the Investment Policy.

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Table 7
City of Oakland
Summary of Investment Policy
Fiscal Year 2013-14

<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	No Maximum	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Local Government Investment Pools	20%	N/A
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	No Maximum	360 days
Reverse Repurchase Agreements ⁽²⁾	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit ⁽³⁾	Prudent Person Standard Applies	360 days
Local Agency Investment Fund	No Maximum	N/A
Local City / Agency Bonds	No Maximum	5 years
State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants	No Maximum	5 years
Other Local Agency Bonds	No Maximum	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 repurchase 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.

Source: City of Oakland

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Current Investment Portfolio

The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the Investment Policy. The following Table 8 summarizes the composition of the Pooled Operating Portfolio as of July 31, 2013.

Table 8
City of Oakland
Pooled Operating Portfolio
As of July 31, 2013

Investments	Market Value	Book Value	Percent of Portfolio	Days to Maturity	360 Day Equivalent
Federal Agency Issues-Coupon	\$ 179,141,657.90	\$ 179,715,137.03	37.10%	967	0.676
Federal Agency Issues-Discount	165,983,377.00	165,879,286.07	34.24	89	0.111
Money Market	75,110,000.00	75,110,000.00	15.50	1	0.060
Local Agency Investment Funds	49,765,768.84	49,765,768.84	10.27	1	0.263
Negotiable CDs	13,000,308.00	13,000,000.00	2.68	88	0.204
California State	999,260.00	1,002,970.70	0.21	914	0.917
TOTAL/AVERAGE	\$ 484,000,371.74	\$ 484,473,162.64	100.00%	394	0.332

Source: City of Oakland

Retirement Programs

The City maintains two closed pension systems, the Police and Firemen's Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System ("OMERS"). In addition, the City is a member of the California Public Employees' Retirement System ("CalPERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees.

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of July 1, 2012, PFRS covered one active employee and 1,081 retired employees and beneficiaries. On December 12, 2000, the voters of the City amended the City Charter to give active members of PFRS the option to terminate their membership and transfer to CalPERS upon certain conditions. As a result, 126 former members transferred to CalPERS.

In November 2006, City voters passed Measure M to modify the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to any asset allocation structure determined to satisfy the Prudent Person Standard.

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

In 1997, the City issued 1997 Pension Obligation Bonds in the principal amount of \$420.5 million, the net proceeds of which were used to fund the actuarial present value of the City's expected contributions to PFRS from March 1997 through June 2011. PFRS received a deposit of \$417 million from the pension obligation bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City would not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of \$17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to PFRS. The City's required contribution to PFRS resumed in July 2011.

On October 3, 2001, the City issued its 2001 Pension Obligation Bonds in the principal amount of \$195.6 million, the proceeds of which were primarily used to purchase at tender for cancellation and defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's combined pension obligation bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

On July 30, 2012, the City issued its 2012 Pension Obligation Bonds in the amount of approximately \$212.5 million to refund a debenture in the amount of \$210,000,000, which evidenced a portion of the City's UAAL for retirement benefits to members of PFRS. As a result, the City will not be required to make any further periodic payments to PFRS through June 30, 2017 pursuant to the Funding Agreement dated July 1, 2012 between the City and PFRS. The City pays debt service on the 2001 Pension Obligation Bonds and the 2012 Pension Obligation Bonds from proceeds of the Tax Override.

An actuarial valuation of PFRS is conducted at least every two years; the most recent valuation was dated July 1, 2012 and was prepared by Bartel Associates, LLC. PFRS utilizes a modification of the aggregate actuarial cost method to determine contribution amounts. Under this method, the excess of the actuarial present value of projected benefits for PFRS members over the actuarial value of assets is amortized over the period ending July 1, 2026 as a level percentage of City safety payroll, including pay for individuals covered by CalPERS as well as those covered by PFRS. Significant actuarial assumptions used to compute the contribution requirement include a 6.75% investment rate of return (reduced in April 2011 from the previous assumption of 7.00%) and average long-term salary increases of 3.975% (reduced in April 2011 from the previous assumption of 4.50%). Current MOU's are used to predict salary increases over the short term. A method that smooths asset value is used to determine the Actuarial Value of Assets, but the resulting value is constrained to be within 10% of market value. The following Table 9 shows PFRS's recent funding progress.

Table 9
City of Oakland
Police and Fire Retirement System
Schedule of Funding Progress⁽¹⁾
(\$ in Millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Market Value of Assets	Unfunded Actuarial Accrued Liability	Funded Status Based on Actuarial Value	Funded Ratio Based on Market Value	Number of Active Employees
2004	\$890.2	\$621.6	--	\$268.6	69.8%	--	1
2005	883.5	614.9	--	268.6	69.6	--	1
2007	888.1	566.0	--	322.1	63.7	--	1
2009 ⁽²⁾	782.5	347.2	\$315.6	435.3	44.4	40.3%	1
2010 ⁽²⁾	792.2	297.8	288.7	494.4	37.6	36.4	1
2011	683.1	256.3	284.9	426.8	37.5	41.7	1
2012 ⁽³⁾	658.3	257.2	268.5	401.1	39.1	40.1	1
2013 ⁽⁴⁾	640.9	437.2	--	203.7	68.2	--	--

⁽¹⁾ Because this is a closed system with one active employee, UAAL as a percentage of payroll is not presented.

⁽²⁾ The decline in the funded ratio was due to investment market downturn and change in actuarial and cost of living assumptions.

⁽³⁾ As of July 1, 2012, the market value of assets was \$268.5 million. However, in late July 2012, the City deposited \$210 million, which increased the assets. As a result, the City will not be required to make any further periodic payments to PFRS through June 30, 2017.

⁽⁴⁾ Projected valuations for July 1, 2013, were produced as of July 1, 2012. Such valuations take into consideration the deposit of \$210 million in late July 2012. Projection of market value of assets for July 1, 2013 has not yet been provided.

Note: The City is only required to generate an actuarial report for the Oakland Police and Fire Retirement System once every two years. The City did not produce actuarial reports for years 2006 and 2008.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012.

In light of the City not being required to make any further periodic payments to PFRS through June 30, 2017, as a result of the City's issuance of its 2012 Pension Obligation Bonds, the Oakland Police and Fire Retirement System Actuarial Report as of July 1, 2012 contains a projection of the annual contributions necessary beginning in Fiscal Year 2017-18 based on certain valuation assumptions. These assumptions and projected contributions are in Table 10 below.

Table 10
City of Oakland
Police and Fire Retirement System
Projection of Future Contributions
As of July 1, 2012

	Valuation Assumptions
Investment Return	6.75%
Wage Growth	3.975%
Annual City Contribution for FY 2017-18 Amount	\$35.1 million ⁽¹⁾

⁽¹⁾ If actual investment returns or wage growth varies from the assumptions, then the contribution rate will vary.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2012.

Oakland Municipal Employees Retirement System (“OMERS”). OMERS is the second closed pension system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to CalPERS. The program covers no active employees and 28 retired employees and beneficiaries as of July 1, 2012. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted at least every three years; the most recent complete valuation was for the period ended July 1, 2012 prepared by Bartel Associates, LLC. OMERS utilizes the “Entry Age Normal Cost Method” for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include a 6.25% investment rate of return, inflation rate of 3.25%, future benefit increase of 3% and mortality rates. Based on the actuarial report, the plan is 122.5% funded. As of July 1, 2012, the plan had actuarial value of assets of \$4.4 million and actuarial accrued liabilities of \$3.6 million.

California Public Employees Retirement System. CalPERS 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 certain former members of PFRS and OMERS. CalPERS acts as a common investment and administrative agent for public entities participating with the State. CalPERS is a contributory plan deriving funds from employee contributions as well as 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 CalPERS. The information contained in this paragraph has been obtained by CalPERS. Additional information regarding CalPERS may be obtained from its Website at www.calpers.ca.gov. However, the contents of such Website are not incorporated herein by such reference.

For accounting purposes, employees covered under CalPERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to CalPERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS. Historically, the City had paid the entire amount of its employees’ contributions for City miscellaneous employees and safety employees. However, under current bargaining agreements effective July 1, 2011, all City miscellaneous employees pay 8%, sworn police pay 9% and sworn fire personnel contribute at 9% plus an additional 4%.

In Fiscal Year 2001-02, the City increased its benefits for Police safety employees to provide 3% of highest salary per year of employment at age 50. In Fiscal Year 2002-03, benefits were increased to provide Fire safety employees 3% of highest salary per year of employment at age 50. In Fiscal Year 2003-04, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following Table 11 sets forth the City’s employer contribution rates as determined by CalPERS for Fiscal Years 2009-10 through 2013-14, and CalPERS’ projection for Fiscal Year 2014-15 and Fiscal Year 2015-16.

Table 11
City of Oakland
Public Employees Retirement System Contribution Rates
Fiscal Years 2009-10 Through 2013-14 and Projected Fiscal Years 2014-15 and 2015-16
(Percentage of Payroll)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15 (Projected)	2015-16 (Projected)
Miscellaneous Plan	19.59%	19.89%	23.60%	25.12	27.30%	29.10%	31.70%
Safety Plan	27.88%	28.09%	30.37%	30.90	33.35%	34.90%	37.00%

Source: CalPERS Annual Valuation Report as of June 30, 2011.

CalPERS 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. CalPERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions included a 3.00% inflation rate and a 7.75% investment return. At its meeting in March 2012, CalPERS revised the assumptions to a 2.75% inflation rate and a 7.50% investment return, effective July 1, 2012. There can be no assurance that CalPERS will not continue to lower its investment assumptions thus increasing the City's contribution obligations. According to CalPERS, for the 5- and 10-year periods ending March 31, 2012, total investment returns were 1.2% and 5.7%, respectively. (Beginning October 1, 2011 performance figures are reported net of fees. All performance figures reported before October 1, 2011 are gross of fees.) In its Annual Investment Report for Fiscal Year Ended June 30, 2011, CalPERS reported an average net return on investments of 8.4% over the prior 20 years.

The schedules of funding progress in the following Tables 12 and 13 show the recent funding progress of both the public safety employees and miscellaneous employees. Any change in the unfunded liability that arose due to a change in plan provisions or in actuarial methods or assumptions is separately tracked and amortized over a declining 20-year period.

The effect of differences between actuarial assumptions and the actual experience of the plan is calculated each year when the annual actuarial valuation is performed. These differences are actuarial gains or losses. Gains and losses are tracked separately and amortized over a rolling 30-year period.

In December 2009, the CalPERS Board adopted changes to the asset smoothing method as well as changes to the CalPERS Board policy on the amortization of gains and losses in order to phase in over a three-year period the impact of the negative 24% investment loss experienced by CalPERS in Fiscal Year 2008-09. The following changes were adopted for all plans:

- Increase the corridor limits for the actuarial value of assets from 80-120% of market value to 60-140% of market value on June 30, 2009.
- Reduce the corridor limits for the actuarial value of assets to 70-130% of market value on June 30, 2010.
- Return to the 80-120% of market value corridor limits for the actuarial value of assets on June 30, 2011 and thereafter.

- Isolate and amortize all gains and losses during Fiscal Years 2008-09, 2009-10 and 2010-11 over fixed and declining 30-year periods (as opposed to the current rolling 30-year amortization).

The following Tables 12 and 13 set forth the schedules of funding progress from 2007 to 2011 for public safety employees and for miscellaneous employees.

Table 12
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Public Safety Employees
(\$ in Millions)

Valuation Date (June 30)	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2007	\$989.1	\$757.3	\$231.8	76.6%	\$127.4	181.9%
2008	1,084.4	829.7	254.7	76.5	138.6	183.7
2009	1,194.4	888.2	306.1	74.4	150.3	203.7
2010	1,262.8	951.5	311.3	75.3	145.6	213.8
2011 ⁽¹⁾	1,357.8	1,023.9	333.9	75.4	130.5	255.8

⁽¹⁾ As of June 30, 2011, the market value of assets was \$915.1 million and the funded status on a market value basis was 67.4%.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2012 and CalPERS Annual Valuation as of June 30, 2011.

Table 13
City of Oakland
Public Employees Retirement System Schedule of Funding Progress
Miscellaneous Employees
(\$ in Millions)

Valuation Date June 30	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2007	\$1,617.2	\$1,353.4	\$263.8	83.7%	\$225.8	116.9%
2008	1,728.0	1,445.4	282.6	83.6	237.5	119.0
2009	1,876.3	1,505.3	371.0	80.2	224.8	165.1
2010	1,914.7	1,565.5	349.2	81.8	195.8	178.4
2011 ⁽¹⁾	2,025.1	1,615.9	409.2	79.8	194.1	210.8

⁽¹⁾ As of June 30, 2011, the market value of assets was \$1,433.4 million and the funded status on a market value basis was 70.8%.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2012 and CalPERS Annual Valuation as of June 30, 2011.

For Fiscal Year 2011-12, the City's annual CalPERS pension cost was \$89 million. The City's unfunded liability with CalPERS, as of June 30, 2011, was \$333.9 million for the public safety (police and fire) retirement plan, resulting in a 75.4% funded status, and \$409.2 million for the miscellaneous retirement plan, resulting in a 79.8% funded status.

The following Table 14 represents the City's annual contribution to CalPERS for Fiscal Years 2007-08 through 2011-12.

Table 14
City of Oakland
Public Employees Retirement System
Annual Pension Cost
Fiscal Years 2007-08 Through 2011-12
(\$ in Millions)

Fiscal Year Ended June 30	Annual Cost
2008	\$97.9
2009	98.2
2010	94.3
2011	84.2
2012	89.0

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2012.

Post-Employment Benefits

The City pays 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 adopted by the City. Approximately \$16.8 million was paid on behalf of retirees under these programs for Fiscal Year 2011-12.

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

The City implemented GASB 45 in Fiscal Year 2007-08. As of July 1, 2010, the Actuarial Accrued Liability (the "AAL"), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was \$520.9 million. As of June 30, 2012, assuming 4% interest earnings, the City's projected net OPEB obligation (defined, in terms of balance sheet liability, as the cumulative difference between the annual OPEB cost and the City's contribution to plan since 2008) will be \$186.6 million after a pay-as-you-go amount of \$16.8 million. For Fiscal Year 2013-14, the current plan for the obligation is pay-as-you-go.

The following Table 15 sets forth certain information with respect to the City's OPEB obligations for the Fiscal Years ended June 30, 2008 through June 30, 2012. Valuations of AAL were reported in Fiscal Years 2007-08 and 2010-11.

Table 15
City of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2007-08 Through 2011-12

Fiscal Year Ended June 30	Accrued Liability ⁽¹⁾	Unfunded Liability ⁽¹⁾	Annual OPEB Cost	Employer Contribution	Net OPEB Obligation
2008	\$591,575,250	\$591,575,250	\$54,635,000	\$10,966,000	\$43,668,000
2009	591,575,250	591,575,250	54,564,000	12,474,000	85,758,000
2010	591,575,250	591,575,250	54,495,000	14,016,000	126,237,000
2011	520,882,498	520,882,498	46,451,000	15,710,000	156,978,000
2012	520,882,498	520,882,498	46,401,000	16,796,000	186,583,000

⁽¹⁾ Valuations of Accrued Liability and Unfunded Liability were reported for Fiscal Years 2007-08 and 2010-11 only.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2012.

Port of Oakland Other Post-Employment Benefits. The Port of Oakland (the "Port") contributes to the California Employer's Retiree Benefit Trust (CERBT), a single employer defined benefit post-employment healthcare plan administered by CalPERS. The CERBT is an IRC Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit (OPEB) costs.

The Port's Retiree Health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CalPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Port's Retiree Health Plan also includes dental, and vision benefits and reimbursement of Medicare part B monthly insurance premium.

The Port of Oakland's annual OPEB cost and net OPEB obligation are as follows:

Table 16
Port of Oakland
Post-Employment Benefits Other than Pensions
Fiscal Years 2007-08 Through 2011-12
(\$ in Thousands)

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$11,683	34%	\$7,754
2009	10,019	123	5,443
2010	10,019	51	10,389
2011	11,193	99	10,461
2012	10,983	99	10,510

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ended June 30, 2008 through June 30, 2012.

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APPENDIX B

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND'S
AUDITED FINANCIAL STATEMENTS FOR THE PERIOD OF
JULY 1, 2011 THROUGH JANUARY 31, 2012
AND
OAKLAND REDEVELOPMENT SUCCESSOR AGENCY'S
AUDITED FINANCIAL STATEMENTS FOR THE PERIOD OF
FEBRUARY 1, 2012 THROUGH JUNE 30, 2012**

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CITY OF OAKLAND, CALIFORNIA

REDEVELOPMENT AGENCY

A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND

FOR THE PERIOD JULY 1, 2011 THROUGH JANUARY 31, 2012



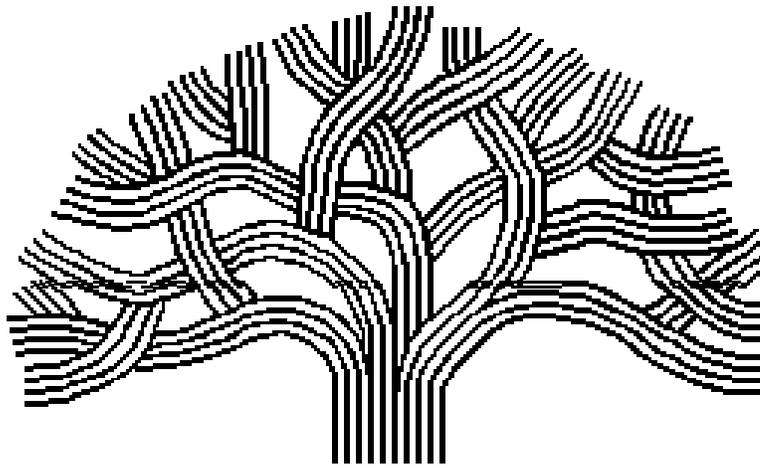
REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)



**Basic Financial Statements
and
Supplemental Information**

For the Period July 1, 2011 through January 31, 2012

Prepared by Administrative Service Department

Scott P. Johnson, Assistant City Administrator/Finance Director

Osborn K. Solitei, Controller

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FINANCIAL REPORT

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City Administrator's Office (CAO)

City Attorney's Office

CAO - Treasury Division

CAO – Office of Neighborhood Investment

Housing and Community Development (HCD)

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
For the Period July 1, 2011 through January 31, 2012

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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, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (Agency), a component unit of the City of Oakland, California (City), as of January 31, 2012 and for the period from July 1, 2011 through January 31, 2012, 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 January 31, 2012, and the respective changes in financial position thereof for the period from July 1, 2011 through January 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the California State Legislature enacted legislation that dissolved redevelopment agencies in the State of California as of February 1, 2012. On February 1, 2012, the City, as the Successor Agency to the Redevelopment Agency of the City of Oakland, became responsible for overseeing the dissolution process and the wind down of redevelopment activity. These financial statements do not include any adjustments as a result of the dissolution of the Agency.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Oakland, California

December 21, 2012

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis - Unaudited
January 31, 2012**

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 seven-month period ended January 31, 2012. 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, which follow this section.

FINANCIAL HIGHLIGHTS

Pursuant to AB X1 26 and subsequent California Supreme Court decision in *California Redevelopment Association v. Matosantos* redevelopment agencies in California were dissolved effective February 1, 2012. On January 10, 2012, the City Council adopted Resolutions 83679 C.M.S. and 83680 C.M.S. declaring the City as the Successor Agency to the Redevelopment Agency of the City of Oakland and as the Housing Successor, respectively. The Successor Agency is a separate legal entity. As such, by operation of law, assets, properties, contracts, leases, books, records, buildings and equipment of the former Agency were transferred to the Successor Agency on February 1, 2012. Also, upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the former Agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition 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, 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 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 and expenses pertaining to earned but unused vacation and sick leave.

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 development. The Agency does not engage in any business-type activities.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

Fund Financial Statements

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

Governmental funds

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

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

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.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

Government-wide Financial Analysis

This Management's Discussion and Analysis is the last period the Agency will present its financial statements. The Agency has used its prior audited financial statements as of June 30, 2011 for comparative purposes.

Shown below is a summary schedule that summarizes the Agency's net assets (deficit):

Agency's Statement of Net Assets (Deficit)
Governmental Activities
January 31, 2012 and June 30, 2011
(In thousands)

	<u>January 31, 2012</u>	<u>June 30, 2011</u>
Assets:		
Current and other assets	\$ 384,182	\$ 616,782
Property held for resale	48,093	179,240
Capital assets	6,359	6,448
Total assets	<u>438,634</u>	<u>802,470</u>
Liabilities:		
Long-term liabilities	510,967	530,921
Other liabilities	44,097	25,474
Total liabilities	<u>555,064</u>	<u>556,395</u>
Net assets (deficit):		
Investments in capital assets, net of related debt	6,359	6,448
Restricted for:		
Debt service	15,594	77,339
Low and moderate housing	52,024	72,196
Urban redevelopment projects and housing	179,542	414,032
Unrestricted net deficit	(369,949)	(323,940)
Total net assets (deficit)	<u><u>\$ (116,430)</u></u>	<u><u>\$ 246,075</u></u>

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's liabilities exceeded assets by \$116.4 million at the close of period of January 31, 2012. This represents a decrease of \$362.5 million compared to the prior year. The decrease is primarily attributed to intergovernmental transfer of \$261.7 million of assets to fund City Public improvement and other redevelopment projects and programs and a decrease of \$76.3 million in tax increment revenue as a result of the wind down of redevelopment activities pursuant to the Redevelopment Dissolution Law.

As of the end of the period, the Agency had restricted net assets of \$247.2 million. The restricted net assets include \$15.6 million restricted for debt service, \$52.0 million restricted for low and moderate housing, and the remaining balance of \$179.5 million represents resources that are subject to external restrictions. The Agency's invested in capital assets is \$6.4 million and its deficit in unrestricted net assets of \$369.9 million is attributed to the issuance of bonds and other indebtedness to fund urban redevelopment and housing projects that are not capitalized.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

Long-term liabilities are mainly represented by tax allocation bonds and housing set-aside bonds issued to finance redevelopment and housing projects. The change from last year's long-term obligations is net decrease of \$20.0 million, which is the net result of the total debt service payments of \$11.5 million for tax allocation bonds and \$2.9 million for housing set-aside bonds and \$5.6 million for other long-term debt.

Analysis of Changes in Net Assets:

Agency's Changes in Net Assets (Deficit) Governmental Activities For the Seven-month Period Ended January 31, 2012 and Twelve-month Period Ended June 30, 2011 (In thousands)		
	7 - Month Ended January 31, 2012	12 - Month Ended June 30, 2011
Revenues:		
Program revenues:		
Charges for services	\$ 5,501	\$ 14,741
Operating grants and reimbursements	3,611	75
General revenues:		
Property tax increment	33,345	109,673
Investment income	654	1,242
Other	1,207	14,952
Total program and general revenues	44,318	140,683
Expenses:		
Urban redevelopment	60,589	56,958
Housing development	59,354	5,871
Intergovernmental payments to City of Oakland	261,695	-
Supplemental Educational Revenue Augmentation Fund payments	-	8,465
AB 1290 statutory pass-through payments	7,566	14,143
Interest on long-term debt	17,619	28,178
Total expenses	406,823	113,615
Change in net assets	(362,505)	27,068
Net assets, beginning of year	246,075	219,007
Net assets (deficit), end of year	\$ (116,430)	\$ 246,075

The expenses in governmental activities for the Agency exceeded revenues by \$362.5 million for the seven month period ended January 31, 2012. This represents a decrease of 389.6 million compared to the prior year's change in net assets of \$27.1 million. The major decrease is mainly attributed to property tax revenue, other revenues, increase allowance in loans, and transfer of assets to the City for public improvements. The net decrease is offset by a decrease in long-term interest payment and with no Supplemental Educational Revenue Augmentation Funds ("SERAF") payment.

As of January 31, 2012, the Agency's revenues total to \$44.3 million compared to \$140.7 million in previous fiscal year. The decrease in total revenue is primarily due to a decrease of \$76.3 million in

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

property tax increment revenues and \$13.7 million in other income resulting mainly from the writing-off of the remaining balance of the 1966 Oak Center repayment contract.

Conversely, government-wide expenses total to \$406.8 million compared to \$113.6 million from previous fiscal year, a net increase of \$293.2 million. The increase is primarily attributable to the intergovernmental payments to the City in the amount of \$261.7 million; recorded \$47.2 million allowance on interest deferred housing activity loans; a decrease of \$10.6 million in interest payments on long-term debt from prior year is attributed to the different reporting periods, seven months versus twelve months. No SERAF payment for the seven months ended January 31, 2012.

Financial Analysis of the Agency's Fund Balances

As of January 31, 2012, the Agency's governmental funds reported combined ending fund balances of \$244.9 million, a decrease of \$318.7 million compared to \$563.6 million for the prior fiscal year. The decrease in fund balance is primarily attributable to the decrease of \$76.3 million in property tax revenues and an intergovernmental payment of \$266.7 million to the City for public improvement.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

Agency's
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
(In thousands)

	7 - Month Ended January 31, 2012	12 - Month Ended June 30, 2011
Revenues:		
Property tax increment	\$ 33,345	\$ 109,673
Investment income	654	1,242
Rents and reimbursements	5,506	12,517
Federal and state grants	5,789	-
Other	1,207	2,992
Total revenues	<u>46,501</u>	<u>126,424</u>
Expenditures:		
Urban redevelopment	38,841	66,974
Housing development	22,106	29,984
Intergovernmental payments to City of Oakland	266,695	-
Supplemental Educational Revenue Augmentation Fund payments	-	8,465
AB 1290 statutory pass-through payments	7,566	14,143
Payment on advances	149	79
Retirement of long-term debt	14,440	19,365
Interest on long-term debt	15,338	27,272
Bond issuance cost	-	828
Total expenses	<u>365,135</u>	<u>167,110</u>
Other Financing Sources (Uses)		
Tax Allocation and Housing Set Aside bonds issued	-	54,370
Discount on bonds issuance	-	(2,052)
Total other financing sources	<u>-</u>	<u>52,318</u>
Change in fund balances	<u>(318,634)</u>	<u>11,632</u>
Beginning fund balances	563,567	551,935
Fund Balances at End of the Year	<u><u>\$ 244,933</u></u>	<u><u>\$ 563,567</u></u>

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 as of January 31, 2012 are reported as \$6.4 million, net of accumulated depreciation

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

Debt Administration

At January 31, 2012, the Agency had total outstanding long-term debt of \$511.0 million, a decrease of \$19.9 million compare to \$530.9 million from the prior fiscal year. The decrease represents a \$14.6 million principal repayment of debt and a transfer of \$5.0 million remediation obligation of the Oakland Army Base to the City. Upon dissolution of the Agency pursuant to AB X1 26, the long-term obligation was transferred to the Successor Agency on February 1, 2012.

Long-term liabilities as of January 31, 2012 and June 30, 2011 are comprised of the following (in thousands):

	<u>January 31, 2012</u>	<u>June 30, 2011</u>
Bonds Payable:		
Tax allocation bonds payable	\$ 383,590	\$ 395,110
Housing set-aside revenue bonds	125,875	128,735
General obligation bonds	-	60
Total Bonds Payable	<u>509,465</u>	<u>523,905</u>
Other Long-Term Liabilities:		
Deferred amounts, net	1,202	1,567
Remediation costs	300	5,300
Advances from City of Oakland	-	149
Total Other Long-Term Liabilities	<u>1,502</u>	<u>7,016</u>
Total Long-Term Obligations	<u>\$ 510,967</u>	<u>\$ 530,921</u>

Bond Ratings

On June 14, 2012, Moody's Investor Service ("Moody's") downgraded all California tax allocation bonds to Ba1 that are rated Baa3 or higher. All California tax allocation bonds ratings remain on review for possible withdrawal. This action reflects sharply increased uncertainty of continued, timely cash-flow for service payments under the new legislation. Also, Fitch Ratings ("Fitch") placed all California bonds secured by tax increment revenue on negative rating watch on January 24, 2012. Please note that these rating actions will not have any impact on the Agency's debt service payments because the bonds area all fixed rate bonds.

On September 12, 2012, Standard & Poor's ("S&P") removed the CreditWatch from the Redevelopment Agency's underlying ratings on investment grade tax allocation bonds and assigned Stable outlooks which were placed on CreditWatch with negative implications on July 5, 2012 after the passage of Assembly Bill 1484. The actions reflects the fact that the City reported sufficient cash to meet debt service and demonstrated sound cash flow management and prudence in addressing future cash flow issues.

**REDEVELOPMENT AGENCY OF
THE CITY OF OAKLAND**

**Management's Discussion and Analysis – Unaudited (Continued)
January 31, 2012**

The table below shows ORSA bond ratings for the outstanding bonds:

<u>Type of Bond</u>	<u>Moody's</u>	<u>S & P</u>	<u>Fitch</u>
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Bonds, Series 1992	N/A	N/A	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2003	N/A	A-	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2005	N/A	N/A	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2006T	Ba1	A-	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2009T	Not Rated	A-	N/A
Central City East Tax Allocation Refunding Bonds, Series 2006A-TE	Ba1	A-	N/A
Central City East Tax Allocation Refunding Bonds, Series 2006A-T	Ba1	A-	N/A
Coliseum Area Tax Allocation Refunding Bonds, Series 2006B-TE	Ba1	A	N/A
Coliseum Area Tax Allocation Refunding Bonds, Series 2006B-T	Ba1	A	N/A
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2006C-TE	Ba1	A+	N/A
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2006C-T	Ba1	A+	N/A
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2010-T	Not Rated	A-	N/A
Subordinated Housing Set-Aside Bonds:			
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2006A	Ba1	A	A-
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2006A-T	Ba1	A	A-
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2011-T	Ba1	A	N/A

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

No information is provided on the Agency's economic factors and next year's budget since the Agency is dissolved effective February 1, 2012. All assets, properties, contracts, leases, books, records, buildings, and equipment of the Agency are transferred to the Successor to the Redevelopment Agency of the City of Oakland as of February 1, 2012 by operation of law and also, upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the former Agency.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Administrative Services Department, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093. This report is also available online at <http://www.oaklandnet.com>

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

January 31, 2012

(In thousands)

	Governmental Activities
ASSETS	
Cash and investments	\$ 103,832
Accounts receivable (net of allowance for uncollectible of \$31)	136
Advances to the City of Oakland	8,894
Restricted cash and investments	124,450
Notes receivable (net of allowance for uncollectibles of \$100,418)	138,876
Property held for resale	48,093
Other assets	19
Deferred charges - bond issuance costs	7,975
Capital assets:	
Land	3,377
Facilities and improvements, net of depreciation	2,982
TOTAL ASSETS	<u>438,634</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,443
Accrued interest payable	12,614
Due to the City of Oakland	3,325
Due to other governments	26,320
Deposits and other liabilities	395
Non-current liabilities:	
Due within one year	6,185
Due in more than one year	504,782
TOTAL LIABILITIES	<u>555,064</u>
NET ASSETS (Deficit)	
Invested in capital assets	6,359
Restricted for:	
Debt service	15,594
Low and moderate housing	52,024
Urban redevelopment projects	176,460
Unrestricted net assets (deficit)	<u>(366,867)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ (116,430)</u>

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Activities

For the period July 1, 2011 through January 31, 2012

(In thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Urban redevelopment	\$ 60,589	\$ 5,333	\$ 3,611	\$ (51,645)
Housing development	59,354	168	-	(59,186)
Intergovernmental payments to the City of Oakland	261,695	-	-	(261,695)
AB 1290 Statutory Pass-Through Payments	7,566	-	-	(7,566)
Interest on long-term debt	<u>17,619</u>	<u>-</u>	<u>-</u>	<u>(17,619)</u>
Total governmental activities	<u>\$ 406,823</u>	<u>\$ 5,501</u>	<u>\$ 3,611</u>	<u>(397,711)</u>
General Revenues:				
Property tax increment				33,345
Investment income				654
Other				<u>1,207</u>
Total general revenues				<u>35,206</u>
Change in net assets				(362,505)
Net assets at beginning of year				<u>246,075</u>
Net assets (deficit) at end of year				<u>\$ (116,430)</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
January 31, 2012
(In thousands)

	<u>Capital Projects</u>							<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Central District</u>	<u>Coliseum</u>	<u>Central City East</u>	<u>Low and Moderate Housing</u>	<u>Broadway MacArthur San Pablo</u>	<u>Oakland Army Base</u>	<u>Debt Service</u>		
ASSETS									
Cash and investments	\$ 14,990	\$ 14,059	\$ 11,928	\$ 43,831	\$ 5,269	\$ 1,208	\$ 87	\$ 12,460	\$ 103,832
Accounts receivable (net of allowance for uncollectibles of \$31)	-	-	-	-	-	-	-	136	136
Due from other funds	-	-	-	1,429	-	-	-	-	1,429
Advances to the City of Oakland	121	-	-	7,764	-	990	-	19	8,894
Restricted cash and investments	22,504	2,662	10,896	59,655	12,721	505	15,507	-	124,450
Notes receivable (net of allowance for uncollectibles of \$100,418)	4,893	649	50	132,217	6	365	-	696	138,876
Property held for resale	17,685	9,112	13,284	8,012	-	-	-	-	48,093
Other assets	-	19	-	-	-	-	-	-	19
TOTAL ASSETS	<u>\$ 60,193</u>	<u>\$ 26,501</u>	<u>\$ 36,158</u>	<u>\$ 252,908</u>	<u>\$ 17,996</u>	<u>\$ 3,068</u>	<u>\$ 15,594</u>	<u>\$ 13,311</u>	<u>\$ 425,729</u>
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,443	\$ 1,443
Due to other funds	-	-	1,429	-	-	-	-	-	1,429
Due to the City of Oakland	757	839	389	-	244	905	-	191	3,325
Due to other governments	9,269	7,373	1,803	-	1,918	3,470	-	2,487	26,320
Deposits and other liabilities	297	-	-	4	25	50	-	19	395
Deferred revenue	4,893	649	50	141,225	6	365	-	696	147,884
TOTAL LIABILITIES	<u>15,216</u>	<u>8,861</u>	<u>3,671</u>	<u>141,229</u>	<u>2,193</u>	<u>4,790</u>	<u>-</u>	<u>4,836</u>	<u>180,796</u>
FUND BALANCES									
Restricted	22,504	2,662	10,896	59,655	12,721	505	15,594	-	124,537
Assigned	22,473	14,978	21,591	52,024	-	-	-	8,475	119,541
Unassigned	-	-	-	-	3,082	(2,227)	-	-	855
TOTAL FUND BALANCES	<u>44,977</u>	<u>17,640</u>	<u>32,487</u>	<u>111,679</u>	<u>15,803</u>	<u>(1,722)</u>	<u>15,594</u>	<u>8,475</u>	<u>244,933</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,193</u>	<u>\$ 26,501</u>	<u>\$ 36,158</u>	<u>\$ 252,908</u>	<u>\$ 17,996</u>	<u>\$ 3,068</u>	<u>\$ 15,594</u>	<u>\$ 13,311</u>	<u>\$ 425,729</u>

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**

January 31, 2012

(In thousands)

Fund balance - total governmental funds	\$	244,933
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		6,359
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.		7,975
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(12,614)
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.		147,884
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
	<hr/>	<hr/>
	Tax allocation bonds	\$ (383,590)
	Housing set-aside revenue bonds	(125,875)
	Issuance premiums	(7,104)
	Issuance discounts	2,580
	Refunding loss	3,322
	Remediation cost	(300)
	Subtotal	<hr/> (510,967) <hr/>
Net assets (deficit) of governmental activities	\$	<u><u>(116,430)</u></u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Period July 1, 2011 through January 31, 2012
(In thousands)

	Capital Projects							Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Debt Service		
REVENUES									
Tax increment	\$ 18,304	\$ 6,398	\$ 3,801	\$ -	\$ 2,105	\$ 1,922	\$ -	\$ 815	\$ 33,345
Interest on cash and investments	306	41	27	122	11	65	17	57	646
Interest on notes receivable	-	7	-	-	-	-	-	1	8
Rents and reimbursements	1,649	322	1	168	-	1,249	-	2,117	5,506
Federal and state grants and subventions	-	-	-	-	5,667	-	122	-	5,789
Other	204	264	-	322	82	335	-	-	1,207
TOTAL REVENUES	20,463	7,032	3,829	612	7,865	3,571	139	2,990	46,501
EXPENDITURES									
Current:									
Urban redevelopment	11,167	8,002	5,412	-	2,430	5,599	166	6,065	38,841
Housing development	-	-	-	22,106	-	-	-	-	22,106
Intergovernmental payments to the City of Oakland	68,146	65,415	38,915	-	1,756	82,816	-	9,647	266,695
AB 1290 Statutory Pass-Through Payment	1,914	2,504	936	-	800	923	-	489	7,566
Debt Service:									
Payment on advances	-	-	-	-	-	-	149	-	149
Retirement of long-term debt	-	-	-	-	-	-	14,440	-	14,440
Interest	-	-	-	-	-	-	15,338	-	15,338
TOTAL EXPENDITURES	81,227	75,921	45,263	22,106	4,986	89,338	30,093	16,201	365,135
Excess (deficiency) of revenues over expenditures	(60,764)	(68,889)	(41,434)	(21,494)	2,879	(85,767)	(29,954)	(13,211)	(318,634)
OTHER FINANCING SOURCES (USES)									
Transfers in	2,870	-	-	-	-	-	36,221	-	39,091
Transfers out	(20,593)	(4,859)	(4,130)	(7,035)	(1,200)	(200)	-	(1,074)	(39,091)
TOTAL OTHER FINANCING SOURCES (USES)	(17,723)	(4,859)	(4,130)	(7,035)	(1,200)	(200)	36,221	(1,074)	-
Change in fund balances	(78,487)	(73,748)	(45,564)	(28,529)	1,679	(85,967)	6,267	(14,285)	(318,634)
Fund balances at beginning of year	123,464	91,388	78,051	140,208	14,124	84,245	9,327	22,760	563,567
FUND BALANCES (DEFICIT) AT END OF PERIOD	\$ 44,977	\$ 17,640	\$ 32,487	\$ 111,679	\$ 15,803	\$ (1,722)	\$ 15,594	\$ 8,475	\$ 244,933

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 Period July 1, 2011 through January 31, 2012
(In thousands)

Net change in fund balances - total governmental funds		\$ (318,634)
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.		(89)
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.		(57,425)
Prepaid leases are expended in the governmental funds when paid and are capitalized and amortized over the life of the lease for governmental activities.		(3,665)
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	\$ (341)	
Retirement of long-term debt	14,440	
Payment of advances	149	
Amortization of premiums and discounts	521	
Amortization of refunding loss	(156)	
Net changes in remediation cost	5,000	19,613
Changes in accrued interest on bonds payable		(2,305)
Change in net assets of governmental activities		\$ (362,505)

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
January 31, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency of the City of Oakland (the Agency) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Agency are described below:

A. Reporting Entity

The Agency was established on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. On June 28, 2011, Assembly Bill X1 26 (“AB X1 26”) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind down of redevelopment activity. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 83679 C.M.S, effective February 1, 2012.

The Oakland Redevelopment Successor Agency (“ORSA”) was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. The ORSA is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor; two County of Alameda (County) representatives; the County Superintendent of Education; the Chancellor of California Community Colleges; and the largest special district taxing entity.

Since the legislation was adopted, the City Council and Redevelopment Agency Board took several actions to comply with its requirements. One of its requirements was to develop an Enforceable Obligations Payment Schedule (EOPS) detailing the obligations of the Agency (and its 20% Low and Moderate Income Housing Fund, which was administered by the City’s Housing and Community Development). The EOPS lists the Agency’s obligations and the amount due on the obligations. Enforceable obligations include: bonds secured by both the 80% and 20% funds; loans due to third parties; payments required by law, judgments or settlements; contracts and agreements with third parties; administrative costs, and funds borrowed from the 20% Low and Moderate Income Housing Fund. Additionally, the EOPS includes a listing of Agency obligations to the City.

The financial statements as of January 31, 2012 and for the period July 1, 2011 through January 31, 2012, serve as the final financial statements for the Agency. Effective February 1, 2012, all the activities related to the winding down of the former Agency’s financial affairs will be reported in the financial statements for the Oakland Redevelopment Successor Agency and

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

included in the City of Oakland basic financial statements as a fiduciary fund (private-purpose trust fund). A separate financial report for the period February 1, 2012 through June 30, 2012, containing additional information and more detailed information regarding financial position and changes in financial position will be included in the Oakland Redevelopment Successor Agency basic financial statements.

Prior to the enactment of AB X1 26, the Agency generally financed redevelopment projects through the issuance of tax allocation bonds. These bonds were payable from the incremental portion of property taxes collected within a project area relating to the increase in assessed valuation resulting from redevelopment. The County of Alameda (County) collects these incremental tax revenues on behalf of the Agency.

Under GASB Statement No. 14, *The Financial Reporting Entity*, the Agency is considered a component unit of the City since the Agency Board consists exclusively of the Mayor and City Council. Consequently, the Agency's financial statements are blended in the City's basic financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include rents, grants, contributions, and charges for use of property owned. Taxes and other items properly not included as program revenues are reported instead as *general revenues*.

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.

Fund Financial Statements

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

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

Property taxes, intergovernmental revenues 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 the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except for debt service expenditures, which are recorded only when payment is due.

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 2011-T 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.

Broadway/MacArthur/San Pablo Fund – The Broadway/MacArthur/San Pablo Fund accounts for the financial resources and the costs of acquisition, construction and improvement of commercial, industrial and residential within the Broadway /MacArthur/ San Pablo Project area.

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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

Debt Service Fund:

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.

C. Assets, Liabilities, Equity and Operations

1. Cash and Investments

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of January 31, 2012, and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

The Agency follows the practice of pooling cash of all operating funds for investment. Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets.

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.

2. 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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

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.

3. Capital Assets

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

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

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

4. Due to Other Governments

Due to other governments are mainly comprised of AB1290 Statutory Pass-Through payments mandated by state legislature to taxing agencies. The pass-through legislation requires redevelopment agencies to share or pass-through a portion of the property tax increment to affected local taxing entities, including schools.

5. 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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

6. Fund Balances

Governmental funds report fund balances in classifications based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of January 31, 2012, fund balances for governmental funds are made up of the following:

- *Restricted Fund Balance*: includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. It also includes a legally enforceable requirement that the resources can only be used for specific purposes enumerated in the law.
- *Assigned Fund Balance*: comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the City's Council or (b) a body (for example: a Finance and Management Committee) or official to which the City's Council has delegated the authority to assign amounts to be used for specific purposes. For example, the City's encumbrances, project carry-forwards, and continuing appropriation are considered assigned fund balances.
- *Unassigned Fund Balance*: are amounts technically available for any purpose. It's the residual classification for the amounts not contained in the other classifications, the residual resources of the general fund, either positive or negative, as well as any negative fund balances from the governmental funds.

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. In January of 2012, the City adopted council resolution transferring Oakland Army Base project from the Agency to City totaling to \$48.6 million of net assets which includes the 366 acres land from the Army valued at \$48.2 million in property held for resale.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

Fund balances for all the major and nonmajor governmental funds as of January 31, 2012, were distributed as follows:

	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for:									
Capital projects	\$ 22,504	\$ 2,662	\$ 10,896	\$ -	\$ 12,721	\$ 505	\$ -	\$ -	\$ 49,288
Housing projects	-	-	-	59,655	-	-	-	-	59,655
Debt service	-	-	-	-	-	-	15,594	-	15,594
subtotal	<u>22,504</u>	<u>2,662</u>	<u>10,896</u>	<u>59,655</u>	<u>12,721</u>	<u>505</u>	<u>15,594</u>	<u>-</u>	<u>124,537</u>
Assigned for:									
Property held for resale	17,685	9,112	13,284	8,012	-	-	-	-	48,093
Capital projects	4,788	5,866	8,307	-	-	-	-	8,475	27,436
Housing projects	-	-	-	44,012	-	-	-	-	44,012
subtotal	<u>22,473</u>	<u>14,978</u>	<u>21,591</u>	<u>52,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,475</u>	<u>119,541</u>
Unassigned	-	-	-	-	3,082	(2,227)	-	-	855
Total	<u>\$ 44,977</u>	<u>\$ 17,640</u>	<u>\$ 32,487</u>	<u>\$ 111,679</u>	<u>\$ 15,803</u>	<u>\$ (1,722)</u>	<u>\$ 15,594</u>	<u>\$ 8,475</u>	<u>\$ 244,933</u>

7. Property Tax Revenues

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.

8. Budgetary Data

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. All of the Agency's budgets are approved by the Agency's governing board. Unexpended budget appropriations are carried forward to the next year.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

9. 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.

10. 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.

11. Estimates

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

(2) 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 January 31, 2012 (in thousands):

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 103,832
Restricted cash and investments	<u>124,450</u>
Total cash and investments	<u><u>\$ 228,282</u></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 January 31, 2012, the Agency's cash and investment pool totaled \$103.8 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

Custodial Credit Risk:

At January 31, 2012, the carrying amount of the Agency's deposits was \$7.13 million. Deposits include checking accounts, interest earning savings accounts, and non-negotiable certificates of deposit. Of the bank balance, \$0.25 million was FDIC insured and \$6.88 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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The following tables show the Agency's credit risk as rated by Moody's for the Pooled and Restricted portfolios as of January 31, 2012 (in thousands):

Pooled Cash and Investments

	Fair Value	Ratings as of January 31, 2012		
		AAA/Aaa	AA/Aaa	A-1/P1
U.S. Govt. Agency Securities	\$ 30,002	\$ -	\$ 30,002	\$ -
U.S. Govt. Agency Securities (Disc.)	25,999	-	25,999	-
Money Market Funds	34,700	34,700	-	-
Negotiable CDs	6,000	-	-	6,000
Subtotal	96,701	\$ 34,700	\$ 56,001	\$ 6,000
Deposits	7,131			
Total Cash and Investments	\$ 103,832			

Restricted Cash and Investments

	Fair Value	Ratings as of January 31, 2012		
		AAA/Aaa	AA/Aaa	A-1/P1
U.S. Govt. Agency Securities (Disc.)	\$ 4,600	\$ -	\$ 4,600	\$ -
Money Market Funds	115,850	115,850	-	-
Negotiable CDs	4,000	-	-	4,000
Total Restricted	\$ 124,450	\$ 115,850	\$ 4,600	\$ 4,000

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 Corporation (Fannie Mae) for \$32.9 million or 14.90% of the total Agency portfolio respectively.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The following table shows the diversification of the Agency's portfolio (in thousands):

Pooled Cash and Investments	% of		Restricted Investments	% of	
	Fair Value	Portfolio		Fair Value	Portfolio
U.S. Govt. Agency Securities	\$ 30,002	31.03%	U.S. Govt. Agency Securities	\$ 4,600	3.70%
U.S. Govt. Agency Securities (Disc.)	25,999	26.89%	Money Market Funds	115,850	93.09%
Money Market Funds	34,700	35.88%	Negotiable CDs	4,000	3.21%
Negotiable CDs	6,000	6.20%	Total	\$ 124,450	100%
Total	\$ 96,701	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 its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 176 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 January 31, 2012, 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
U.S. Govt. Agency Securities	\$ 30,002	0.58% - 2.53%	\$ 8,053	\$ 21,949
U.S. Govt. Agency Securities (Disc.)	25,999	0.03% - 0.083%	25,999	-
Money Market Funds	34,700	0.07%	34,700	-
Negotiable CDs	6,000	0.15% - 0.24%	6,000	-
Total	\$ 96,701		\$ 74,752	\$ 21,949

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Restricted Investments

	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturities</u> <u>12 Months or</u> <u>Less</u>
U.S. Govt. Agency Securities (Disc.)	\$ 4,600	0.550%	\$ 4,600
Money Market Funds	115,850	0.01% - 0.07%	115,850
Negotiable CD's	4,000	0.55%	4,000
Total	<u>\$ 124,450</u>		<u>\$ 124,450</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 January 31, 2012, the amounts held by the trustees aggregated to \$124.5 million of which \$108.9 million is available to be used for restricted projects and \$15.5 million for debt service payment. All restricted investments held by trustees as of January 31, 2012 were invested in U.S. government agency securities discount note, money market mutual funds, negotiable CD's, that were in compliance with the bond indentures.

Total Agency cash and investments as of January 31, 2012, are as follow (in thousands):

<u>Fund</u>	<u>Equity in</u> <u>Pooled Cash</u> <u>and Investment</u>	<u>Restricted Cash and</u> <u>Investment With</u> <u>Fiscal Agent</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Central District	\$ 14,990	\$ 22,504	\$ 37,494
Coliseum	14,059	2,662	16,721
Central City East	11,928	10,896	22,824
Low and moderate housing	43,831	59,655	103,486
Broadway/MacArthur/San Pablo	5,269	12,721	17,990
Oakland Army Base	1,208	505	1,713
Debt Service	87	15,507	15,594
Nonmajor governmental funds	12,460	-	12,460
TOTAL	<u>\$ 103,832</u>	<u>\$ 124,450</u>	<u>\$ 228,282</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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(3) 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 January 31, 2012 is as follows (in thousands):

	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ -	\$ 219,338	\$ -	\$ -	\$ 1,463	\$ 220,801
Development loans	16,899	649	50	-	6	365	368	18,337
Small business loans	128	-	-	-	-	-	28	156
Gross notes receivable	17,027	649	50	219,338	6	365	1,859	239,294
Less: Allowance for uncollectible accounts	(12,134)	-	-	(87,121)	-	-	(1,163)	(100,418)
Total Notes receivable, net	\$ 4,893	\$ 649	\$ 50	\$ 132,217	\$ 6	\$ 365	\$ 696	\$ 138,876

As of January 31, 2012, the Agency has a total of \$138.9 million of net notes and loans receivable, which is not expected to be received in the next twelve months. All of the Agency's notes and loan receivables are offset with deferred revenue in the governmental funds as the collection of those notes and loans are not expected within the near future. The decrease of \$49.0 million for development loans from prior year is attributed to the loan assignment and assumption agreement entered between the Agency and the City to assign various commercial loans to the City.

(4) PROPERTY HELD FOR RESALE

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

	Balance July 1, 2011	Increases	Decreases	Balance January 31, 2012
Property held for resale	\$ 179,240	\$ 32,483	\$ 163,630	\$ 48,093

The decreases in Property Held for Resale represent of the transfer of public facilities and Oakland Army Base assets to the City totaling to \$163.6 million and the acquisition of \$32.5 million in properties including Kaiser Conversion Center and other properties for the development within the Central District, Coliseum Area and Central City East Project Area.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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(5) CAPITAL ASSETS

Capital assets activity of the Agency for the period July 1, 2011 through January 31, 2012, is as follows (in thousands):

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance January 31, 2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,377	\$ -	\$ -	\$ 3,377
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
Less accumulated depreciation	<u>(1,669)</u>	<u>(89)</u>	<u>-</u>	<u>(1,758)</u>
Total capital assets, being depreciated, net	<u>3,071</u>	<u>(89)</u>	<u>-</u>	<u>2,982</u>
Governmental activities capital assets, net	<u>\$ 6,448</u>	<u>\$ (89)</u>	<u>\$ -</u>	<u>\$ 6,359</u>

The Agency has \$6.36 million capital assets, net of depreciation, as of January 31, 2012. The decrease represents the seven month of depreciation for The Henry J. Robinson Multi-Service Center Facility.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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(6) INTERGOVERNMENTAL RECEIVABLES, PAYABLES, AND INTERFUND TRANSFERS

“Due to” and “due from” other funds are interfund loans between the project area. “Advances to” the City of Oakland 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. The loan repayments made from those programs will be repaid to the Agency’s funds which originally funded the program. “Due to” the City of Oakland balances are AB 1290 Statutory Pass-Through payments due to the City. The composition of interfund balance and “advance to” and “due to” the City as of January 31, 2012 is as follows (in thousands):

Due to/from other funds (in thousands):

Receivable fund	Payable fund	Amount
Low and Moderate Housing	Central City East	\$ 1,429

Advance to The City of Oakland (in thousands):

Receivable Project Areas	Descriptions	Amount
Central District	Other advances	\$ 121
Oakland Army Base	Reimbursement from TIGER II grants	990
Low and Moderate Housing	Pass through loans to City	7,586
	Advance for project reimbursement	178
Nonmajor governmental funds	Other advances	19
Total Advance to City		\$ 8,894

Due to the City of Oakland (in thousands):

Payable Project Areas	Descriptions	Amount
Central District	AB 1290 Pass Through Payment	\$ 757
Coliseum	AB 1290 Pass Through Payment	839
Central City East	AB 1290 Pass Through Payment	389
Oakland Army Base	AB 1290 Pass Through Payment	333
	Due to City	572
Broadway/MacArthur/San Pablo	AB 1290 Pass Through Payment	244
Nonmajor governmental funds	AB 1290 Pass Through Payment	191
Total due the City		\$ 3,325

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Interfund Transfers (in thousands):

	Transfers In		
	Central District	Debt Service	Total Governmental Fund
Transfers out:			
Central District	\$ -	\$ 20,593	\$ 20,593
Coliseum	520	4,339	4,859
Central City East	925	3,205	4,130
Low and Moderate Housing	-	7,035	7,035
Oakland Army Base	200	-	200
Broadway/MacArthur/San Pablo	325	875	1,200
Nonmajor Governmental Funds	900	174	1,074
TOTAL	\$ 2,870	\$ 36,221	\$ 39,091

The Central District, Coliseum, Central City East, Low and Moderate Housing, and Nonmajor Governmental Funds transferred \$36.2 million into the Debt Service Fund for payment of City advances, principal and interest on tax allocation and housing set-aside revenue bonds, and for set-aside required debt service reserve. The \$2.9 million transfer from Coliseum, Central City East, OBRA and Nonmajor Governmental Funds into Central District Project Area is for the purchase of the Kaiser Conversion Center.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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(7) LONG-TERM DEBT

Changes in Long-Term Obligations

The changes in long-term obligations for the period July 1, 2011 through January 31, 2012, are as follows (in thousands):

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>January 31, 2012</u>	<u>Due within One Year</u>
Bonds Payable:					
Tax allocation bonds	\$ 395,110	\$ -	\$ (11,520)	\$ 383,590	\$ 5,925
Housing set-aside revenue bonds	128,735	-	(2,860)	125,875	-
General obligation bond	60	-	(60)	-	-
Less deferred amounts:					
Issuance premiums	7,704	-	(600)	7,104	429
Issuance discount	(2,659)	-	79	(2,580)	(57)
Refunding loss	(3,478)	-	156	(3,322)	(112)
Total bonds payable	<u>525,472</u>	<u>-</u>	<u>(14,805)</u>	<u>510,667</u>	<u>6,185</u>
Environmental Remediation costs ¹	5,300	-	(5,000)	300	-
Advances from City of Oakland	149	-	(149)	-	-
TOTAL	<u><u>\$ 530,921</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (19,954)</u></u>	<u><u>\$ 510,967</u></u>	<u><u>\$ 6,185</u></u>

¹ As discussed in Note 8, the Agency and the City entered into a purchase and sale agreement and as part of the agreement the Oakland Army Base asset and environmental liability was transferred to the City.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The following is a summary of long-term obligations as of January 31, 2012 (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%	\$ 18,900
Central District Subordinated Tax Allocation Refunding Series 2003	2020	3.0% - 5.50%	87,865
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%	20,610
Central District Subordinated Tax Allocation Refunding Series 2009T	2021	5.3% - 8.5%	37,370
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%	56,150
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2037	4.00% - 5.00%	26,290
Coliseum Area Tax Allocation Refunding Series 2006B-T	2036	5.263% - 5.537%	67,430
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%	10,890
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2010-T	2041	7.200 - 7.400%	<u>7,390</u>
Total Tax Allocation Bonds			<u>383,590</u>
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2006A	2019	5.00%	2,195
Revenue Series 2006A-T	2037	5.030% - 5.927%	76,700
Revenue Series 2011T	2042	3.25% - 9.25%	<u>46,980</u>
Total Subordinated Housing Set-Aside Bonds			<u>125,875</u>
SUB TOTAL			<u>509,465</u>
Deferred Amounts:			
Unamortized bond premium (discount), net			4,524
Unamortized bond refunding loss, net			<u>(3,322)</u>
TOTAL BONDS PAYABLE			<u>\$ 510,667</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of January 31, 2012, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated tax increment revenue through the period of the bonds would be estimated at \$2,949,755,000. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of January 31, 2012 is estimated at \$620,658,000, which is 21.0 percent of the total projected tax increment revenues. The pledged tax increment revenues recognized during the reporting period July 1, 2011 through January 31, 2012 was \$33,345,000 of which \$22,672,317 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California Health and Safety Code and the Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund (“RPTTF”) pursuant to Health and Safety Code 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of January 31, 2012, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated tax increment revenue through the period of the bonds would be estimated at \$779,962,000. These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Housing Set-Aside Bonds as of January 31, 2012 is estimated at \$252,046,287, which is 32.3 percent of the total projected tax increment revenues. The pledged tax increment revenues recognized during the reporting period July 1, 2011 through January 31, 2012 was zero. The total debt service payment for the reporting period was \$7,035,172 (principal and interest). The Agency used restricted fund balance on the Low and Moderate Housing Fund to pay the debt service for the subject reporting period.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the RPTTF pursuant to Health and Safety Code 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of January 31, 2012 the Agency has paid off its advances from the City in the amount of \$149 thousand.

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 \$32.8 million at January 31, 2012.

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.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of January 31, 2012 (in thousands).

Year ending <u>June 30:</u>	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012 ¹	\$ 5,925	\$ 15,033	\$ 20,958
2013	22,545	29,313	51,858
2014	24,870	28,053	52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017 - 2021	163,300	99,311	262,611
2022 - 2026	77,825	59,811	137,636
2027 - 2031	54,080	43,688	97,768
2032 - 2036	69,505	26,672	96,177
2037 - 2041	39,035	9,126	48,161
2042 - 2042	5,375	248	5,623
TOTAL	<u>\$ 509,465</u>	<u>\$ 363,240</u>	<u>\$ 872,705</u>

¹ Represents amount required for the remaining 5 months of fiscal year 2012.

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.

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The conduit debt issued and outstanding at January 31, 2012 (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at January 31, 2012</u>
City of Oakland Refunding Certificates of Participation (Oakland Museum) 2002 Series A	\$ 16,295	04/01/12	\$ 3,895
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>\$ 163,895</u>

(8) 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 January 31, 2012, the Agency reimbursed the City \$22.5 million for these expenditures.

March 3, 2011, Agency Agreements with the City

On March 3, 2011 the Agency and the City entered into the following agreements under the California Community Redevelopment Law.

a) *The Funding Agreement*

The Agency and the City entered into a funding agreement for the Agency to fund City public improvements and other redevelopment projects and programs within the City.

b) *The Purchase and Sale Agreement*

The Agency and the City entered into a purchase and sale agreement of various Agency properties to the City at a purchase price of a dollar.

c) *Loan Assignment and Assumption Agreement*

The Agency and the City entered into a loan assignment and assumption agreement, under the agreement the City was assigned various commercial loans from the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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The table below shows the intergovernmental transfers pursuant to the funding and purchase and sale agreement and the loan assignment and assumption agreement (in thousands):

Payable Project Area	Types of Assets					TOTAL
	Property Held for Resale	Restricted Cash and Investments	Pool Cash and Investments	Notes and Loan Receivables	Others	
Central District	\$ 61,845	\$ 5,037	\$ 1,264	\$ 47,330	\$ -	\$ 115,476
Coliseum	39,750	14,416	11,249	1,256	-	66,671
Central City East	8,683	28,021	2,211	-	-	38,915
Oakland Army Base	48,940	-	34,687	-	(811)	82,816
Broadway/MacArthur/San Pablo	-	-	1,756	-	-	1,756
Nonmajor Governmental funds	4,411	-	5,236	704	-	10,351
Sub-Total	<u>163,629</u>	<u>47,474</u>	<u>56,403</u>	<u>49,290</u>	<u>(811)</u>	<u>315,985</u>
Less obligations associated with assets transferred:						
Notes and Loans deferred collections	-	-	-	(49,290)	-	(49,290)
Total Intergovernmental Transfers by Governmental Funds	<u>\$ 163,629</u>	<u>\$ 47,474</u>	<u>\$ 56,403</u>	<u>\$ -</u>	<u>\$ (811)</u>	<u>\$ 266,695</u>

In addition to the assets transferred, the Successor Agency assumed the environmental remediation obligation in the Oakland Army Base project area in the amount of \$5 million.

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

FOT is an Internal Revenue Code section 501(C) (3) organization set up by and for the benefit of the Agency and the City 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). In FY 2009-10 the Agency loaned an additional of \$2.0 million to Fox Oakland Theater Inc and \$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 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.

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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.

On March 3, 2011, the Agency and the City entered into a loan assignment and assumption agreement and the City was assigned various commercial loans that included the FOX Theater.

(10) COMMITMENTS AND CONTINGENCIES

Redevelopment Agency of the City of Oakland

As of January 31, 2012, the Agency has entered into several contractual commitments for materials and services relating to various redevelopment projects and affordable housing projects within the City of Oakland. In the future years these commitments will be funded by future redevelopment property tax revenues (former tax increment). The Successor Agency assets can only be used to pay enforceable obligations as defined by the Redevelopment Dissolution Law revenue and other sources.

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 January 31, 2012, the remaining balance of \$1.2 million has been included as part of the Successor Agency Recognized Obligation Payments Schedule (ROPS) submitted to the State Department of Finance.

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 such as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of January 31, 2012, environmental remediation clean up activities have 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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

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 January 31, 2012, the Agency has spent approximately \$13 million on this project, of which \$10.9 million has been received from the US Department of the Army. 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 \$5.0 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. In January of 2012, The Agency transferred Oakland Army Base Operation to the City including the remediation liabilities.

(11) SUBSEQUENT EVENTS

Recent Changes in Legislation Affecting California Redevelopment Agencies:

a) Invalidation of Loans with the City

AB X1 26 specifically invalidates existing agreements between the former Agency and the City, except for 1) those entered into at the time of issuance of debt, for the purpose of securing repayment of such debt, and 2) loans or advances from the Low and Moderate Income Housing Fund. On February 1, 2012, the City did not have any long-term loans or receivables with the former Agency. Subsequent legislation adopted on June 28, 2012 provides that loans between the City and ORSA may be re-established when the Successor Agency receives a "finding of completion" from the State Department of Finance and approval of the Oversight Board.

b) Dissolution Legislation "True up" Process

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the County Auditor Controller determine if the tax revenues received by the Agency in January 2012 (before dissolution) were in excess of the amount spent by the former Agency and the Oakland Redevelopment Successor Agency ("ORSA") on enforceable obligations as defined by the Redevelopment Dissolution Law during the period from January 1 through June 30, 2012. If there was an excess, the ORSA must remit the residual amounts to the County by July 12, 2012, for allocation to the taxing entities. This is referred to as the "true up" process. Due to the manner in which some of the former Agency's bond obligations were categorized on the Recognized Obligation Payment Schedule (ROPS) during this period, the County Auditor-Controller's calculations indicated a \$21.5 million "overpayment" of tax revenues to the Successor Agency. On July 12, 2012, the Successor Agency issued a payment of \$21.5 million of residual amount to the

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
January 31, 2012

County-auditor controller to be deposited into the Redevelopment Property Tax Trust Fund ("Trust Fund") for distribution to the taxing entities.

**COMBINING FINANCIAL
STATEMENTS and
COMPLIANCE SECTION**

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
January 31, 2012
(In thousands)

	<u>Acorn</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and investments	\$ 795	\$ 4,098	\$ 5,758	\$ 1,809	\$ 12,460
Accounts receivable, net	-	-	136	-	136
Advances to the City of Oakland	-	-	19	-	19
Notes receivable, net	533	100	28	35	696
TOTAL ASSETS	<u>\$ 1,328</u>	<u>\$ 4,198</u>	<u>\$ 5,941</u>	<u>\$ 1,844</u>	<u>\$ 13,311</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,443	\$ 1,443
Due to the City of Oakland	-	144	47	-	191
Due to other governments	-	1,932	555	-	2,487
Deposits and other liabilities	12	-	1	6	19
Deferred revenue	533	100	28	35	696
TOTAL LIABILITIES	<u>545</u>	<u>2,176</u>	<u>631</u>	<u>1,484</u>	<u>4,836</u>
FUND BALANCES					
Assigned	783	2,022	5,310	360	8,475
TOTAL FUND BALANCES	<u>783</u>	<u>2,022</u>	<u>5,310</u>	<u>360</u>	<u>8,475</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,328</u>	<u>\$ 4,198</u>	<u>\$ 5,941</u>	<u>\$ 1,844</u>	<u>\$ 13,311</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Period July 1, 2011 through January 31, 2012
(In thousands)

	<u>Acorn</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES					
Tax increment	\$ -	\$ 611	\$ 204	\$ -	\$ 815
Interest on cash and investments	3	14	16	24	57
Interest on notes receivable	-	-	1	-	1
Rents and reimbursements	-	-	2,117	-	2,117
TOTAL REVENUES	<u>3</u>	<u>625</u>	<u>2,338</u>	<u>24</u>	<u>2,990</u>
EXPENDITURES					
Current:					
Urban redevelopment	866	2,212	2,963	24	6,065
Intergovernmental payments to the City of Oakland	-	3,335	6,312	-	9,647
AB 1290 Statutory Pass-Through Payment	-	357	132	-	489
TOTAL EXPENDITURES	<u>866</u>	<u>5,904</u>	<u>9,407</u>	<u>24</u>	<u>16,201</u>
Excess (deficiency) of revenues over expenditures	(863)	(5,279)	(7,069)	-	(13,211)
OTHER FINANCING SOURCES (USES)					
Transfers out	<u>(18)</u>	<u>(556)</u>	<u>(500)</u>	<u>-</u>	<u>(1,074)</u>
Change in fund balances	(881)	(5,835)	(7,569)	-	(14,285)
Fund balances at beginning of year	1,664	7,857	12,879	360	22,760
FUND BALANCES AT END OF YEAR	<u>\$ 783</u>	<u>\$ 2,022</u>	<u>\$ 5,310</u>	<u>\$ 360</u>	<u>\$ 8,475</u>

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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 and each major fund of the Redevelopment Agency of the City of Oakland (Agency), a component unit of the City of Oakland, California, as of January 31, 2012 and for the period from July 1, 2011 through January 31, 2012, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated December 21, 2012. Our report includes an explanatory paragraph referring to Note 1 to the financial statements relating to the recent legislation dissolving California redevelopment agencies as of February 1, 2012. 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

Management of the Agency and the City as Successor Agency to the Redevelopment Agency of the City of Oakland are responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting that we consider to be a material weakness, 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Macias Gini & Connell LLP

Oakland, California
December 21, 2012



CITY OF OAKLAND, CALIFORNIA

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
A COMPONENT UNIT OF THE CITY OF OAKLAND, CALIFORNIA

FOR THE PERIOD FROM INCEPTION (FEBRUARY 1, 2012) THROUGH JUNE 30, 2012



**OAKLAND REDEVELOPMENT SUCCESSION AGENCY
FINANCIAL REPORT**

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City Administrator's Office (CAO)

City Attorney's Office

CAO - Treasury Division

CAO – Office of Neighborhood Investment

Housing and Community Development (HCD)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
For the Period From Inception (February 1, 2012) through June 30, 2012

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

Independent Auditor's Report

We have audited the accompanying basic financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of June 30, 2012 and for the period from inception (February 1, 2012) through June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the ORSA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 ORSA'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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ORSA as of June 30, 2012, and the changes in its financial position for the period from inception (February 1, 2012) through June 30, 2012 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the basic financial statements, in connection with uncertainties with the Redevelopment Dissolution Law, it is reasonably possible that a determination may be made at a later date by an appropriate State or judicial authority that would resolve dissolution matters differently than currently reported. The ultimate outcome of these issues cannot presently be determined, accordingly, no provision for any adjustment that may result has been recorded in the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2013, on our consideration of the ORSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the ORSA's basic financial statements as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & Connell LLP

Walnut Creek, California
January 3, 2013

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management's Discussion and Analysis - Unaudited
June 30, 2012

As management of the Oakland Redevelopment Successor Agency of the City of Oakland ("ORSA"), we offer readers of the Agency's basic financial statements this narrative overview and analysis of the financial activities of ORSA for the period from its inception on February 1, 2012 through June 30, 2012. We encourage readers to consider the information presented here in conjunction with the ORSA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Pursuant to AB X1 26, redevelopment agencies in California were dissolved effective February 1, 2012. The legislation, which was upheld by the California Supreme Court in *California Redevelopment Association v. Matosantos*, and subsequently amended by AB 1484 (together, "The Redevelopment Dissolution Law") provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and wind down of the redevelopment activity. On January 10, 2012, the City Council affirmed its decision as part of the resolution number 83679 C.M.S to serve as the Successor Agency to the Redevelopment Agency of the City of Oakland overseeing all assets, properties, contracts, leases, books, records, buildings, equipment and liabilities transferred to ORSA on February 1, 2012. ORSA would be responsible for overseeing the dissolution process and the wind down of the former Redevelopment Agency of the City of Oakland's activities.

At February 1, 2012, ORSA recorded the receipt of the former Oakland Redevelopment Agency's assets \$179.7 million and liabilities \$556.2 million; the receipt of unencumbered cash of the City's Housing Successor Agency Fund funded with the former redevelopment agency's low and moderate income tax increment revenues (\$103.5 million) as an extraordinary event (See Note 2 to the Basic Financial Statements).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the ORSA's basic financial statements. The ORSA's basic financial statements comprise two components: 1) basic financial statements and 2) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. These financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting.

This year is the first period ORSA reported financial activity. In future years, when prior year information is available, a comparative analysis of the ORSA's financial data will be presented.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. At the close of June 30, 2012, ORSA has a net assets deficit of \$269.8 million. Under the former California Redevelopment Law the former agency issues bonds or incurs long-term debt to finance its redevelopment projects by pledging future tax increment revenues. (See Note 2 to the basic financial statements).

The former Agency used debt proceeds to finance its redevelopment projects, including public projects such as public parking, street improvements, park improvements, transportation improvements, cultural facilities, and community centers. Once redevelopment projects that were public facilities were completed by the former Agency, the responsibilities for their continued maintenance and operations were transferred to the appropriate public entity such as City of Oakland (City) including the capitalized redevelopment project costs. In addition, completed projects with private developers were also transferred to the developers in accordance with the Disposition and Development Agreements. Although completed public facilities and Joint Agency-

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management's Discussion and Analysis – Unaudited (Continued)
June 30, 2012

Private Partnership projects were transferred to the City or private entities, the related debt remained with the former redevelopment agency and was transferred to ORSA.

Shown below is a schedule that summarizes the ORSA's net assets held in trust:

Statement of Fiduciary Net Assets
June 30, 2012
(In thousands)

Assets	June 30, 2012
Current and other assets	\$ 271,802
Total Assets	271,802
Liabilities	
Other liabilities	45,580
Long-term liabilities	504,481
Total Liabilities	550,061
Total net assets held in trust	\$ (278,259)

The ORSA has \$108.6 million in restricted cash and investments held in interest and principal reserves for repayment of debt, amounts required to be held in cash reserves per bond indenture, and temporary investments for unexpended bond proceeds. Other funds are held in escrow accounts pursuant to contracts and agreements made by the former Agency, their use restricted for a particular purpose.

The ORSA's Property held for resale reflects a total net book value of \$38.9 million which majority of the properties are funded by bond proceeds. The property held for resale would be included in the Successor ORSA's Long-Range Management Plan, which will be forwarded to the Oversight Board and DOF for approval upon the receipt of a Finding of Completion from the DOF.

Long-term liabilities total \$504.5 million. Long-term liabilities are mainly represented by tax allocation bonds totaling \$377.7 million and housing set-aside bonds of \$125.9 million issued to finance redevelopment projects.

Operating activities. Over the five-month period ended June 30, 2012, ORSA had deductions over additions in the amount of \$5.2 million and an extraordinary item of (\$273.0 million) as previously described.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management's Discussion and Analysis – Unaudited (Continued)
June 30, 2012

Key elements of the ORSA's additions and deductions are presented below:

ORSA's Changes in Fiduciary Net Assets
For the Five-month Period Ended June 30, 2012
(In thousands)

	5-month Ended June 30, 2012
Additions	
Redevelopment property tax revenues	\$ 36,597
Other revenues	2,424
Total additions	39,021
Deductions	
General and administrative	2,099
Project expenses	29,787
Interest on debt	12,374
Total deductions	44,260
Extraordinary item from Redevelopment Agency Dissolution	
	(273,020)
Change in net assets	(278,259)
Net assets held in trust, beginning of period	-
Net assets held in trust, end of year	\$ (278,259)

On June 1, 2012, the County Auditor-Controller provided a property tax distribution of \$36.6 million. In addition, ORSA recognized \$1.6 million of federal and state grants revenue, \$0.7 million investment incomes and \$0.2 million other revenue for the period ended June 30, 2012. Interest expense including accrued interest on ORSA's outstanding debt for the period totaled \$12.4 million, \$8.5 million payment to the County-Auditor Controller for distribution to the taxing entities.

Debt Administration

At June 30, 2012, ORSA had long-term bonds and notes outstanding aggregating to \$504.5 million, a decrease of \$5.9 million from February 1, 2012, resulting from debt service payments on the Tax Allocation Bonds. All outstanding long-term debts (Tax Allocation Bonds and Housing Set-Aside Bonds) are backed by redevelopment property tax revenues.

Below is a breakdown of the long-term debt is as follows (in thousands):

	June 30, 2012
Long-Term Debt	
Tax allocation bonds	\$ 377,665
Housing set-aside bonds	125,875
Subtotal - Bonds outstanding	503,540
Deferred amounts:	
Premiums and discount	4,152
Refunding loss	(3,211)
Subtotal - deferred amounts	941
Total long-term debt	\$ 504,481

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management’s Discussion and Analysis – Unaudited (Continued)
June 30, 2012

Bond Ratings

On June 14, 2012, Moody’s Investor Service (“Moody’s”) downgraded all California tax allocation bonds to Ba1 that are rated Baa3 or higher. All California tax allocation bonds ratings remain on review for possible withdrawal. This action reflects sharply increased uncertainty of continued, timely cash-flow for service payments under the new legislation. Also, Fitch Ratings (“Fitch”) placed all California bonds secured by tax increment revenue on negative rating watch on January 24, 2012. Please note that these rating actions will not have any impact on the Agency’s debt service payments because the bonds area all fixed rate bonds.

On September 12, 2012, Standard & Poor’s (“S&P”) removed the CreditWatch from the Oakland Redevelopment Successor Agency’s underlying ratings on investment –grade tax allocation bonds and assigned Stable outlooks which were placed on CreditWatch with negative implications on July 5, 2012 after the passage of Assembly Bill 1484. The actions reflects the fact that the City reported sufficient cash to meet debt service and demonstrated sound cash flow management and prudence in addressing future cash flow issues.

The table below shows ORSA bond ratings for the outstanding bonds:

Type of Bond	Moody's	S & P	Fitch
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Bonds, Series 1992	N/A	N/A	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2003	N/A	A-	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2005	N/A	N/A	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2006T	Ba1	A-	N/A
Central District Subordinated Tax Allocation Refunding Bonds, Series 2009T	Not Rated	A-	N/A
Central City East Tax Allocation Refunding Bonds, Series 2006A-TE, A-T	Ba1	A-	N/A
Coliseum Area Tax Allocation Refunding Bonds, Series 2006B-TE , B-T	Ba1	A	N/A
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2006C-TE, C-T	Ba1	A+	N/A
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2010-T	Not Rated	A-	N/A
Subordinated Housing Set-Aside Bonds:			
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2006A, A-T	Ba1	A	A-
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2011-T	Ba1	A	N/A

REVENUES AND RECOGNIZED OBLIGATIONS PAYMENT SCHEDULE

Pursuant to AB X1 26, ORSA is required to adopt a Recognized Obligation Payments Schedule (“ROPS”). A ROPS, listing all enforceable obligations due and payable in the six month coverage period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund (Trust Fund). Management has determined that the ROPS will replace the ORSA’s annual budget.

The semi-annual Administrative Budget for ORSA is presented and approved by the Successor Agency governing Board and ORSA’s Oversight Board, and subsequently approved as part of the ROPS by the California State Department of Finance.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management's Discussion and Analysis – Unaudited (Continued)
June 30, 2012

OUTSTANDING AUDITS AND REPORTING REQUIREMENTS

ORSA staff continues to work closely with the California State Controller's Office (SCO), California State Department of Finance (DOF) and the County Auditor-Controller (CAC) to complete the outstanding audits and reporting requirements for compliance with AB X1 26 and AB 1484.

Reporting requirements include (1) DOF - Review of Housing Assets, (2) CAC – Review of Former Redevelopment Agency's Assets, Liabilities and Other Indebtedness, (3) SCO – Asset Transfers Review, (4) DOF – Due Diligence Review – Housing, and (5) DOF – Due Diligence Review – Non Housing. Upon completion and approval/certification of these reports/reviews, ORSA will receive a Finding of Completion and be allowed to submit a Property Management Plan for the disposition and sale of its assets. In addition, the Finding of Completion allows ORSA to request approval of the Oversight Board along with DOF confirmation to reinstate loans between ORSA and the City.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of ORSA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Administrative Services Department, Controller's Office, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093. Additional financial data may also be found on the ORSA's website (www.oaklandnet.com).

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
Management's Discussion and Analysis - Unaudited
June 30, 2012

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BASIC FINANCIAL STATEMENTS

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Statement of Fiduciary Net Assets

June 30, 2012

(In Thousands)

Assets

Cash and investments	\$ 108,068
Receivables:	
Accrued interest	218
Other, net	135
Due from City of Oakland	1,690
Prepaid expenses	19
Restricted cash and investments	108,608
Notes and loans receivable (net of allowance for uncollectable of \$13,170)	6,375
Property held for resale	38,957
Unamortized bond issuance costs	7,732
Total assets	<u>271,802</u>

Liabilities

Accounts payable	2,725
Accrued interest payable	9,973
Due to the City of Oakland	2,800
Payable to the County of Alameda	29,985
Deposits and other payables	97
Long-term liabilities:	
Due within one year	23,132
Due in more than one year	<u>481,349</u>
Total liabilities	<u>550,061</u>
Net assets (deficit) held in trust	<u><u>\$ (278,259)</u></u>

See accompanying notes to the financial statements

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Statement of Changes in Fiduciary Net Assets
For the Period from Inception (February 1, 2012) through June 30, 2012
(In Thousands)

Additions:

Redevelopment property tax revenues	\$	36,597
Investment income:		
Investment income		614
Net appreciation in fair value of investments		84
Federal and state grants		1,575
Rent		45
Other		106
		39,021
Total additions		39,021

Deductions:

General and administrative:		
Salaries, wages and benefits		1,141
Materials, supplies and other services		958
Project expenses		29,787
Interest on debt		12,374
		44,260
Total deductions		44,260
Extraordinary loss item from Redevelopment Agency Dissolution		(273,020)
Change in net assets		(278,259)
Net assets, beginning of period		-
Net assets (deficit), ending	\$	(278,259)

See accompanying notes to the financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
(Amounts in Thousands)

NOTE 1 – REPORTING ENTITY

The Redevelopment Agency of the City of Oakland (“Agency”) was established in 1956 by the Oakland City Council as a public entity legally separate from the City of Oakland (“City”). Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a “Redevelopment Area.” Redevelopment projects are developed in cooperation with private developers. Public redevelopment projects are also developed under cooperation agreements between the Agency and the City or other public entity that will own the project.

On June 28, 2011, Assembly Bill X1 26 (“AB X1 26”) was enacted. This legislation is referred to herein as the Redevelopment Dissolution Law. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provides for successor agencies and oversight boards that are responsible for overseeing the dissolution process and the wind down of redevelopment activity. At the City’s meeting on January 10, 2012, the City Council affirmed its decision as part of City resolution number 83679 C.M.S to serve as the Successor to the Redevelopment Agency of the City of Oakland, effective February 1, 2012 as such a component unit of the City. Also upon dissolution the City Council elected as part of resolution number 83680 C.M.S. to retain the housing assets, functions and powers previously performed by the former Agency.

The Oakland Redevelopment Successor Agency (“ORSA”) was created to serve as a custodian for the assets and to wind down the affairs of the former Agency. ORSA is a separate public entity from the City, subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: two City representatives appointed by the Mayor; two County of Alameda (County) representatives; the County Superintendent of Education; the Chancellor of California Community Colleges; and the largest special district taxing entity.

In general, ORSA’s assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, ORSA will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of ORSA’s custodial role, ORSA is reported in a fiduciary fund (private-purpose trust fund).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States (“GAAP”).

Basis of Accounting

The financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
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related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Investments

ORSA records investment transactions on the trade date. Investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is defined as the amount that ORSA could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices. Investment income, including unrealized gains and losses, is recognized as revenue.

ORSA follows the practice of pooling cash of all operating funds for investment. Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds based on their proportionate share of the average daily cash balance.

Proceeds from debt and other funds which are restricted for the payment of debt or for Recognized Obligation Payment Schedule and held by fiscal agents by agreement are classified as restricted assets.

Redevelopment Property Tax Revenues

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into ORSA’s Redevelopment Property Tax Trust Fund (“Trust Fund”) administered by the County’s Auditor-Controller for the benefit of holders of the former Agency’s enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the County to the local agencies in the project area unless needed to pay enforceable obligations.

Distributions are to be made twice each year on the following cycles:

Distribution Dates	Covers Recognized Obligation Payment Schedules to be Paid
January 2	January 1 through June 30
June 1	July 1 through December 31

The amounts distributed for Recognized Obligation Payment Schedules (ROPS) are forward looking to the next six month period.

Restricted Assets

Assets are restricted for specified uses by bond debt requirements, grant provisions or other requirements and their use is limited by applicable bond covenants or agreements.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements

For the Period From Inception (February 1, 2012) through June 30, 2012

(Amounts in Thousands)

Property Held for Resale

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 estimated of net realizable value of each property parcel based on its current use. 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. The properties received from the former Agency will be held by ORSA as property held for resale until the State Department of Finance approves a Long-Range Property Management Plan or when the conversion of property for cash is necessary to pay ORSA's enforceable obligations when due.

Long-term Obligations

The former Agency issues Tax Allocation Bonds and Housing Set-Aside Bonds to finance housing and other redevelopment projects. Long-term debt and other long-term obligations are reported as liabilities.

Issuance costs are reported as deferred charges and are amortized into the appropriate expense categories. Long-term debt is reported net of the applicable premiums, discounts, and deferred amounts on refunding. The premiums, discounts, and deferred amounts on refunding are amortized as a component of the interest expense in a systematic and rational matter over the remaining life of the debt instrument.

Extraordinary Item

Extraordinary items are both 1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of the assets and liabilities of the former Agency, and the transfer of the City's Low and Moderate Housing Fund's unencumbered assets, as of February 1, 2012 were recorded as an extraordinary loss in ORSA's financial statements.

The components of the extraordinary loss recognized are as follows:

Transfers in of the former Agency's assets as of January 31, 2012	\$	179,671
Transfers in of the former Agency's liabilities as of January 31, 2012		(556,177)
Transfers in of cash from the Low and Moderate Housing Fund to pay enforceable obligations		103,486
Extraordinary loss from Redevelopment Agency Dissolution	\$	<u><u>(273,020)</u></u>

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show

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Notes to the Basic Financial Statements
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on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Pursuant to AB X1 26, ORSA is required to adopt a Recognized Obligation Payments Schedule (“ROPS”). A ROPS, listing all enforceable obligations due and payable in the six month coverage period, is prepared semi-annually and is the basis for the distribution of property tax revenues from the Redevelopment Property Tax Trust Fund (Trust Fund).

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 3 – CASH AND INVESTMENTS

The ORSA’s cash and investments consist of the following at June 30, 2012:

<u>Cash and Investments</u>	<u>Amount</u>
Cash and investments (unrestricted)	\$ 108,068
Restricted cash and investments	<u>108,608</u>
Total cash and investments	<u><u>\$ 216,676</u></u>

Investments

ORSA follows the investment policy of the City, which is governed by provisions of the California Government Code 53600 and the City’s Municipal Code. ORSA also has investments subject to provisions of the bond indentures of the former Agency’s various bond issues. According to the investment policy and bond indentures, ORSA is permitted to invest in 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.

As of June 30, 2012, ORSA invested a total amount of \$91.4 million with U.S. Government Agency Securities, which is comprised of \$86.8 million from its unrestricted accounts, and \$4.6 from the Tax Allocation Bonds and the Housing Set-Aside Bonds reserve and capitalized interest. The remaining balance is invested in Money Market Funds for \$118 million and Negotiable CD’s for \$3 million.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ORSA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, ORSA will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The California Government Code requires that a financial institution secure its deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by the depository regulated under state law (unless so waived by the governmental unit). The market value

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Notes to the Basic Financial Statements
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of the pledged governmental securities and/or first trust deed mortgage notes held in the collateral pool must be at least 110% and 150% of ORSA's deposits, respectively. The collateral is held by the pledging financial institution's trust department and is considered held in the ORSA's name.

As of June 30, 2012, the carrying amount of the ORSA's deposits was \$4.2 million. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250, and the bank balance of \$4.0 million are collateralized with securities held by the pledging financial institutions as required by Section 53652 of the California Government Code.

ORSA invests in individual investments. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to increase security, the ORSA employs the trust department of a bank or trustee as the custodian of certain ORSA investments, regardless of their form.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market rates. ORSA investment policy has mitigated interest rate risk by establishing policies over liquidity. As of June 30, 2012, ORSA had the following investments and original maturities (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Interest Rates (%)</u>	<u>Maturities</u>	
			<u>12 Months of Less</u>	<u>1 - 3 Years</u>
U.S. Government Agency Securities	\$ 18,832	0.28 - 0.37	\$ 3,085	\$ 15,747
U.S. Govt. Agency Securities (Discount)	67,990	0.02 - 0.10	67,990	-
Money Market Mutual Funds	14,000	0.15 - 0.16	14,000	-
Negotiable CD's	3,000	0.50	3,000	-
Total	103,822		\$ 88,075	\$ 15,747
Deposits	4,246			
	<u>\$ 108,068</u>			

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Interest Rates (%)</u>	<u>Maturities</u>	
			<u>12 Months of Less</u>	<u>1 - 3 Years</u>
U.S. Govt. Agency Securities (Discount)	\$ 4,600	0.55	\$ 4,600	\$ -
Money Market Mutual Funds	104,008	0.06 - 0.10	104,008	-
Total	\$ 108,608		\$ 108,608	\$ -

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(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
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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 the nationally recognized statistical rating organizations. ORSA's investment policy has mitigated credit risk by limiting investments to the safest types of securities, by prequalifying financial institutions, by diversifying the portfolio and by establishing monitoring procedures. The following tables show the Agency's credit risk as rated by Standard & Poor's and Moody's for the Pooled and Restricted portfolios as of June 30, 2012 (in thousands):

Pooled Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Ratings as of June 30, 2012</u>		
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>	<u>A1/P1</u>
U.S. Govt. Agency Securities	\$ 18,832	-	\$ 18,832	\$ -
U.S. Govt. Agency Securities (Discount)	67,990	-	67,990	-
Money Market Mutual Funds	14,000	14,000	-	-
Negotiable CD's	3,000	-	-	3,000
Total Cash and Investments	\$ 103,822	\$ 14,000	\$ 86,822	\$ 3,000

Restricted Cash and Investments

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Ratings as of June 30, 2012</u>	
		<u>Aaa/AAA</u>	<u>Aaa/AA</u>
U.S. Govt. Agency Securities (Discount)	\$ 4,600	\$ -	\$ 4,600
Money Market Mutual Funds	104,008	104,008	-
Total Cash and Investments	\$ 108,608	\$ 104,008	\$ 4,600

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 ORSA. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement, as they are normally diversified themselves. The following table shows the diversification of ORSA's portfolio as of June 30, 2012 (in thousands):

Pooled Cash and Investments			Restricted Cash and Investments		
<u>Type of Investment</u>	<u>Fair Value</u>	<u>% of Portfolio</u>	<u>Type of Investment</u>	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Govt. Agency Securities	\$ 18,832	18.14%	U.S. Govt. Agency Securities (Discount)	\$ 4,600	4.24%
U.S. Govt. Agency Securities (Discount)	67,990	65.49%	Money Market Mutual Funds	104,008	95.76%
Money Market Mutual Funds	14,000	13.48%	Total	\$ 108,608	100%
Negotiable CD's	3,000	2.89%			
Total	\$ 103,822	100%			

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The following table show's ORSA's investments in one issuer that exceed 5% of ORSA's investment portfolio at June 30, 2012 (in thousands):

<u>Investment Type / Issuer</u>	<u>Amount</u>	<u>Percent of ORSA's Investment Portfolio</u>
U.S. Government Agency Securities:		
Federal National Mortgage Association (Fannie Mae)	\$ 29,831	14.04%
Federal Home Loan Bank	29,998	14.12%
Federal Home Loan Mortgage Corporation (Freddie Mac)	26,994	12.71%

Restricted Cash and Investments with Fiscal Agents

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 temporary investments for unexpended bond proceeds. As of June 30, 2012, the amounts held by the trustees aggregated \$108.6 million. All restricted investments held by trustees as of June 30, 2012 were invested in U.S. Government Agency Securities, and money market mutual funds, and were in compliance with the bond indentures.

NOTE 4 – LOANS RECEIVABLE

Composition of loans receivable as of June 30, 2012 is as follows:

	<u>Housing Development project Loans</u>	<u>Economic Development loans</u>	<u>Gross notes and Loans receivable</u>	<u>Allowance for uncollectible</u>	<u>Total Notes and Loans receivable, net</u>
Notes and Loans Receivable	\$ 1,463	\$ 18,082	\$ 19,545	\$ (13,170)	\$ 6,375

As of June 30, 2012, ORSA has a total of \$6.4 million net notes and loans receivable, which is not expected to be received in the next twelve months.

NOTE 5 – PROPERTY HELD FOR RESALE

As of June 30, 2012, ORSA has a total of \$38.9 million for property held for resale transferred from the former redevelopment agency and booked at the lower of cost or net realizable value. This represents a transfer out of housing related assets into the Housing Successor Agency and Oakland Army Base assets to the City.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
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NOTE 6 – DEBT

Long-term Debt

The following is a summary of bonds payable of ORSA as of June 30, 2012 (in thousands):

<u>Type of Obligation</u>	<u>Original Issued Amount</u>	<u>Issued Year</u>	<u>Final Maturity Year</u>	<u>Interest Rate Range</u>	<u>June 30, 2012 Principal Balance</u>
<u>Tax Allocation Bonds</u>					
Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992	\$ 97,655	1992	2014	2.5% - 6.0%	\$ 12,975
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003	120,605	2003	2019	3.0% - 5.50%	87,865
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005	44,360	2005	2022	5.00%	31,970
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	33,135	2006	2021	5.252% - 5.411%	20,610
Subordinated Tax Allocation Bond Series 2009T	38,755	2009	2021	5.3% - 8.5%	37,370
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE	28,770	2006	2036	4.00% - 5.00%	26,290
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T	73,820	2006	2035	5.263% - 5.537%	67,430
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE	13,780	2006	2036	5.00%	13,780
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T	62,520	2006	2034	5.263% - 5.537%	56,150
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE	4,945	2006	2036	5.00%	4,945
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T	12,325	2006	2032	5.283% - 5.587%	10,890
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2010T	7,390	2010	2041	7.200% - 7.400%	7,390
Sub-total	<u>538,060</u>				<u>377,665</u>
<u>Subordinated Housing Set-Aside Bonds</u>					
Subordinated Housing Set Aside Revenue Refunding Bonds Series 2006A	2,195	2006	2018	5.00%	2,195
Subordinated Housing Set Aside Revenue Bonds Series 2006A-T	82,645	2006	2037	5.030% - 5.927%	76,700
Subordinated Housing Set Aside Revenue Bonds, Series 2011A-T	46,980	2011	2042	3.25% - 9.25%	46,980
Sub-total	<u>131,820</u>				<u>125,875</u>
Total Long-term Debt	<u>\$ 669,880</u>				<u>\$ 503,540</u>

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
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Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
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A summary of the changes in long-term debt during the period from inception (February 1, 2012) through June 30, 2012 follows (in thousands):

	<u>February 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>	<u>Due within One Year</u>
Bonds Payable:					
Tax allocation bonds	\$ 383,590	\$ -	\$ (5,925)	\$ 377,665	18,685
Housing set-aside bonds	125,875	-	-	125,875	3,860
Less deferred amounts:					
Issuance premiums	7,104	-	(429)	6,675	980
Issuance discount	(2,580)	-	57	(2,523)	(136)
Refunding loss	(3,322)	-	111	(3,211)	(257)
TOTAL	<u>\$ 510,667</u>	<u>\$ -</u>	<u>\$ (6,186)</u>	<u>\$ 504,481</u>	<u>23,132</u>

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, Series 2006C TE/T, and Series 2010T are issued primarily to finance redevelopment projects and are all secured by pledge of redevelopment property tax revenues (i.e. former tax increment), consisting of a portion of taxes levied upon all taxable properties within each the tax increment generating redevelopment project areas, and are equally and ratably secured on a parity with each TAB series.

As of June 30, 2012, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at \$2,949,756,000. These revenues have been pledged until the year 2041, the final maturity date of the bonds. The total principal and interest remaining on these TABs as of June 30, 2012 is estimated at 599,700,000, which is 20.3 percent of the total projected redevelopment property tax revenues. The pledge redevelopment property tax revenues recognized during the reporting period February 1, 2012 through June 30, 2012 was \$36,597,000 of which \$16,782,730 (principal and interest) was used to pay debt service.

Historically, upon receipt of property tax increment, the Agency calculated the 80 percent and 20 percent and the voluntary 5 percent amount of tax increment and would then transfer the 20 percent and 5 percent portion to the Low and Moderate Income Housing Fund, as required by the California Health and Safety Code and the Agency board resolution. The previous requirement to bifurcate the tax increment into 80 percent and 20 percent portions was eliminated in AB X1 26. However, in order to maintain compliance with bond indentures secured by the 80 percent and 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the Redevelopment Property Tax Trust Fund ("RPTTF") pursuant to Health and Safety Code 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied.

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Housing Set-Aside Bonds

The Housing set-aside bonds, which is comprised of Series 2006A, Series 2006A-T and Series 2011T are issued to finance affordable housing projects and are secured by a pledge and lien upon the 20% redevelopment property tax revenue (i.e. former tax increment) set-aside for the low and moderate income housing fund.

As of June, 30, 2012, assuming no growth in assessed valuation throughout the term of each project area, the total projected accumulated redevelopment property tax revenue through the period of the bonds would be estimated at \$779,962,000. These revenues have been pledged until the year 2037, the final maturity date of the bonds. The total principal and interest remaining on these Housing Set-Aside Bonds as of June 30, 2012 is estimated at \$252,046,000, which is 32.3 percent of the total projected tax increment revenues. The pledge redevelopment property tax revenues recognized during the reporting period February 1, 2012 through June 30, 2012 was zero. The total interest debt service payment for the reporting period was \$4,174,793. The Agency used restricted fund balance on the Low and Moderate Housing Fund to pay the debt service for the subject reporting period.

In the future, in order to maintain compliance with bond indentures secured by the 20 percent tax increment, the Oakland Redevelopment Successor Agency plans to request the funds through the Recognized Obligation Payment Schedule (ROPS) from the RPTTF pursuant to Health and Safety Code 34183 (a)(2)(A), and segregate the funds in the debt service funds accordingly until the debt obligations have been satisfied

Debt Service Requirements

The debt service requirements for all debt are based upon a fixed rate of interest. The annual requirements to amortize outstanding tax allocation bonds and housing set-aside bonds outstanding as of June 30, 2012, including mandatory sinking fund payments, are as follows (in thousands):

Year ending June 30:	Principal	Interest	Total
2013	\$ 22,545	\$ 29,313	\$ 51,858
2014	24,870	28,053	52,923
2015	19,865	26,651	46,516
2016	27,140	25,334	52,474
2017	29,760	23,670	53,430
2018 - 2022	165,425	89,791	255,216
2023 - 2027	56,270	55,591	111,861
2028 - 2032	56,195	40,591	96,786
2033 - 2037	73,315	22,767	96,082
2038 - 2042	28,155	6,446	34,601
TOTAL	\$ 503,540	\$ 348,207	\$ 851,747

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Conduit Debt

The following long-term debt has been issued by the former redevelopment agency on behalf of named agents of the agency. The bonds do not constitute an indebtedness of ORSA. 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 ORSA, and neither the full faith and credit nor the taxing authority of ORSA, 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 conduit debt issued and outstanding at June 30, 2012 (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2012
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	\$ 160,000	10/01/50	\$ 160,000

Outstanding Defeased Bonds

For financial reporting purposes, the former redevelopment agency’s advanced-refunded debt is considered defeased and therefore removed as a liability from ORSA’s statement of fiduciary net assets. Cumulatively, the defeased bonds had an outstanding debt balance of \$32.8 million at June 30, 2012.

NOTE 7 – REDEVELOPMENT PROPERTY TAX TRUST FUND

On June 1, 2012, the County Auditor-Controller made the first distribution of funds from the Redevelopment Property Tax Trust Fund to ORSA, in the amount of \$36.6 million and deposited to the Redevelopment Obligation Retirement Fund as required by AB X1 26.

NOTE 8 –TRANSACTIONS WITH THE CITY OF OAKLAND

City Expenses

ORSA incurred \$2.1 million of general and administrative costs and \$3.8 million for project related overhead and operational cost for support services of designated City employees allocated to ORSA administrative activities.

Due from the City

As of June 30, 2012, ORSA has a total due from the City in the amount of \$1.7 million which included \$990 thousand grants receivable for the Tiger II Grant from the former Agency’s Oakland Army Base Project Fund to the City in January 2012. ORSA will be repaid when grant is collected.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
(Amounts in Thousands)

Due to the City

At June 30, 2012, ORSA has a payable to the City in the amount of \$2.8 million which included the former Agency's Low and Moderate Housing Fund loan of \$1.4 million to the Central City East Project Funds where the Low and Moderate Housing Funds Assets were transferred to the Housing Successor Agency of the City and payable of \$1.2 million to the City for support services.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Redevelopment Dissolution Law

Under ABx1 26, adopted on June 28, 2011, as amended by AB 1484 adopted on June 27, 2012, all new redevelopment activities were suspended, with limited exceptions, and redevelopment agencies were dissolved on February 1, 2012. Under this legislation, the California Department of Finance and the California State Controller's Office have varying degrees of responsibility and oversight. The ultimate outcome of issues raised by State authorities, such as the rejection of using ORSA assets to pay obligations or the return of asset transfers to the ORSA, cannot presently be determined and, accordingly, no provision for any liability that may result has been recorded in the financial statements.

Environmental Land Remediation Obligation

A review of ORSA's property during the five-month period ended June 30, 2012 reveals that there is no current pollution remediation required based on their current uses (i.e. surface parking and other uses). If in the future when a land remediation obligation occurs to a property due to a change in the purpose (i.e. convert to housing or retail project), ORSA will prepare estimates and comply with the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

Ambac Bankruptcy

On November 9, 2010, Ambac Financial Group Inc. (the "Ambac Financial") filed for bankruptcy protection under Chapter 11 Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Ambac Financial is a holding company whose affiliates provide financial guarantees and financial services to its customers. Ambac Assurance Corporation (the "Ambac"), a subsidiary of Ambac Financial, has issued a financial guaranty insurance policy for payment of principal and interest when due and a reserve fund surety bond for the former Agency's tax allocation bonds.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
(Amounts in Thousands)

Ambac continues to provide policy coverage for the Agency's bonds listed in the table below. Also, Ambac's obligation to honor claims in accordance with the terms of the policies has not been affected by the bankruptcy of Ambac Financial Group, Inc.

<u>Type of Bond</u>	<u>Original Par Amount</u>
Tax Allocation Bonds:	
Central District Senior Tax Allocation Refunding Bonds, Series 1992	\$ 97,655
Central District Subordinated Tax Allocation Refunding Bonds, Series 2005	44,360
Central City East Tax Allocation Refunding Bonds, Series 2006A-TE, A-T	76,300
Coliseum Area Tax Allocation Refunding Bonds, Series 2006B-TE, B-T	102,590
Broadway/MacArthur/San Pablo Tax Allocation Refunding Bonds, Series 2006C-TE, C-T	17,270
Subordinated Housing Set-Aside Bonds:	
Subordinated Housing Set-Aside Revenue Refunding Bonds, Series 2006A, A-T	84,840

Encumbrances

At June 30, 2012, ORSA had encumbered \$1.4 billion for contracted obligations, per the Required Obligation Payment Schedule (ROPS) covering the July 1, 2012 through December 31, 2012 period, which was approved by the California Department of Finance on May 24, 2012.

NOTE 10 – LITIGATION

Litigation/Unpaid Claims

ORSA is subject to various other claims and from time to time is involved in lawsuits in which damages are sought. As litigation is subject to many uncertainties and as the outcome of litigated matters cannot be predicted with certainty, it is reasonably possible that some of these legal actions could be decided unfavorably against ORSA.

NOTE 11 – SUBSEQUENT EVENTS

Dissolution Legislation “True up” Process

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the County Auditor Controller determine if the tax revenues received by the Agency in January 2012 (before dissolution) were in excess of the amount spent by the former Agency and the Oakland Redevelopment Successor Agency (“ORSA”) on enforceable obligations as defined by the Redevelopment Dissolution Law during the period from January 1 through June 30, 2012. If there was an excess, the ORSA must remit the residual amounts to the County by July 12, 2012, for allocation to the taxing entities. This is referred to as the “true up” process. Due to the manner in which some of the former Agency's bond obligations were categorized on the Recognized Obligation Payment Schedule (ROPS) during this period, the County Auditor-Controller's calculations indicated a \$21.5 million "overpayment" of tax revenues to the Successor Agency. On July 12, 2012, the Successor Agency issued a payment of \$21.5 million of residual amount to the County-Auditor Controller to be deposited into the Redevelopment Property Tax Trust Fund ("Trust Fund") for distribution to the taxing entities.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)

Notes to the Basic Financial Statements
For the Period From Inception (February 1, 2012) through June 30, 2012
(Amounts in Thousands)

Findings of the Agreed-Upon Procedures Report

Pursuant to the California Health and Safety Code section 34182, the County Auditor-Controller was responsible to cause the performance of procedures to establish the former Agency's assets and liabilities, to document pass-through obligations, and to document the amount and terms of indebtedness incurred by the former Agency. The County issued its Agreed-Upon Procedures Report (AUP) on October 5, 2012 and submitted it to the California State Controller's Office (SCO) and the California State Department of Finance (DOF). Other than as a reference for the DOF and the SCO, the AUP has no consequence in the dissolution process.

Low and Moderate Income Housing Fund Due Diligence Review

The provisions of AB1484, which was a trailer bill to the FY 2012-13 State Budget, required that the Successor Agency must provide Department of Finance an Oversight Board approved Due Diligence Review (DDR) that has been prepared by a licensed accountant. The DDR will list all encumbered and unencumbered low and moderate income housing fund (LMIHF) assets, and will state whether or not those assets are encumbered by Enforceable Obligations. On November 5, 2012, ORSA submitted DOF an approved Oversight Board DDR with no cash and cash equivalents available for distribution to the affected taxing entities. In a letter dated November 30, 2012, DOF completed its review of ORSA DDR and adjusted \$4.3 million in non-cash and cash equivalents assets and \$8.5 million in cash and cash equivalents. Therefore, the balance of LMIHF available for distribution to the affected taxing entities is \$8.5 million. ORSA has issued a payment of \$8.5 million to the County-Auditor Controller to be deposited into the trust fund for distribution to the taxing entities.

OTHER SUPPLEMENTARY INFORMATION

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

(A Component Unit of the City of Oakland, California)

Combining Schedule of Fiduciary Net Assets

June 30, 2012

(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal & State Grant	Debt Service	Elimination	TOTAL
Assets							
Cash and investments	\$ 36,563	\$ 433	\$ 71,070	\$ -	\$ 2	\$ -	\$ 108,068
Accrued interest receivable	74	1	143	-	-	-	218
Accounts receivable (net of allowance for uncollectable of \$31)	-	-	135	-	-	-	135
Due from other funds	-	557	-	-	-	(557)	-
Due from City of Oakland	-	-	1,474	216	-	-	1,690
Prepaid expenses	-	-	19	-	-	-	19
Restricted cash and investments	-	-	99,532	-	9,076	-	108,608
Notes and loans receivable, net	-	35	6,340	-	-	-	6,375
Property held for resale	-	-	38,957	-	-	-	38,957
Unamortized bond issuance costs	-	-	-	-	7,732	-	7,732
Total assets	36,637	1,026	217,670	216	16,810	(557)	271,802
Liabilities							
Accounts Payable	-	544	2,181	-	-	-	2,725
Accrued interest payable	-	-	-	-	9,973	-	9,973
Due to other funds	-	-	-	557	-	(557)	-
Due to the City	-	-	2,800	-	-	-	2,800
Due to other governments	-	-	29,985	-	-	-	29,985
Deposits and other liabilities	-	6	91	-	-	-	97
Long-term Liabilities:							
Due within one year	-	-	-	-	23,132	-	23,132
Due in more than one year	-	-	-	-	481,349	-	481,349
Total Non-Current Liabilities	-	-	-	-	504,481	(557)	504,481
Total liabilities	-	550	35,057	557	514,454	(557)	550,061
Fund balance /Net assets (deficit) held in trust	\$ 36,637	\$ 476	\$ 182,613	\$ (341)	\$ (497,644)	\$ -	\$ (278,259)

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Assets
For the Period from Inception (February 1, 2012) through June 30, 2012
(In Thousands)

	Redevelopment Obligation Retirement Fund	Planning Fund	Capital Project Funds	Federal and State Grants	Debt Service	TOTAL
Additions:						
Tax increment	\$ 36,597	\$ -	\$ -	\$ -	\$ -	\$ 36,597
Investment income:						
Interest on investments	12	78	496	-	28	614
Net appreciation in fair value of investments	28	1	55	-	-	84
Federal Grants	-	-	-	-	122	122
State Grants	-	-	-	1,453	-	1,453
Rents and reimbursements	-	-	45	-	-	45
Other	-	4	102	-	-	106
Total additions	<u>36,637</u>	<u>83</u>	<u>698</u>	<u>1,453</u>	<u>150</u>	<u>39,021</u>
Deductions:						
General and administrative:						
Salaries, wages and benefits	-	-	1,141	-	-	1,141
Materials, supplies and other services	-	-	958	-	-	958
Project expenses	-	3,170	25,163	1,454	-	29,787
Debt Service:						
Interest on long-term debt	-	-	-	-	12,374	12,374
Total deductions	<u>-</u>	<u>3,170</u>	<u>27,262</u>	<u>1,454</u>	<u>12,374</u>	<u>44,260</u>
Net increase (decrease) before transfers	36,637	(3,087)	(26,564)	(1)	(12,224)	(5,239)
Transfers in	-	3,169	4,856	-	14,377	22,402
Transfers out	-	-	(22,402)	-	-	(22,402)
Total transfers	<u>-</u>	<u>3,169</u>	<u>(17,546)</u>	<u>-</u>	<u>14,377</u>	<u>-</u>
Extraordinary item from Redevelopment Agency Dissolution		394	226,723	(340)	(499,797)	(273,020)
Change in net assets	36,637	476	182,613	(341)	(497,644)	(278,259)
Net assets at beginning of period	-	-	-	-	-	-
Net assets (deficit), ending	<u>\$ 36,637</u>	<u>\$ 476</u>	<u>\$ 182,613</u>	<u>\$ (341)</u>	<u>\$ (497,644)</u>	<u>\$ (278,259)</u>

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Fiduciary Net Assets for Capital Project Sub-Funds
June 30, 2012
(In Thousands)

	Capital Projects							Total Project Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Broadway MacArthur San Pablo	Oakland Army Base	Other Projects	
Assets								
Cash and investments	\$ 2,445	\$ 11,936	\$ 7,788	\$ 37,762	\$ 7,416	\$ -	\$ 3,723	\$ 71,070
Accrued interest receivable	5	24	16	76	15	-	7	143
Accounts receivable	135	-	-	-	-	-	-	135
Due from other funds	-	-	-	-	-	-	489	489
Advances to the City	420	5	-	-	-	1,049	-	1,474
Prepaid Expenses	-	19	-	-	-	-	-	19
Restricted cash and investments	19,901	2,662	10,896	58,722	7,351	-	-	99,532
Notes receivable, net	5,010	641	50	-	6	-	633	6,340
Property held for resale	17,685	8,228	13,044	-	-	-	-	38,957
Total assets	45,601	23,515	31,794	96,560	14,788	1,049	4,852	218,159
Liabilities								
Accounts payable and accrued liabilities	368	-	11	1,695	89	17	1	2,181
Due to other funds	-	-	-	-	-	489	-	489
Due to the City	377	227	1,551	365	67	174	39	2,800
Due to other governments	8,112	5,707	1,255	8,480	1,362	2,880	2,189	29,985
Deposits and other liabilities	3	-	-	-	25	50	13	91
Total liabilities	8,860	5,934	2,817	10,540	1,543	3,610	2,242	35,546
Fund balance /Net assets (deficit) held in trust	<u>\$ 36,741</u>	<u>\$ 17,581</u>	<u>\$ 28,977</u>	<u>\$ 86,020</u>	<u>\$ 13,245</u>	<u>\$ (2,561)</u>	<u>\$ 2,610</u>	<u>\$ 182,613</u>

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
(A Component Unit of the City of Oakland, California)
Combining Schedule of Changes in Fiduciary Net Assets for Capital Project Sub-Funds
For the Period from Inception (February 1, 2012) through June 30, 2012
(In Thousands)

	<u>Capital Projects</u>							<u>Total Project Funds</u>
	<u>Central District</u>	<u>Coliseum</u>	<u>Central City East</u>	<u>Low and Moderate Housing</u>	<u>Broadway MacArthur San Pablo</u>	<u>Oakland Army Base</u>	<u>Other Projects</u>	
Additions:								
Investment income:								
Interest on investments	\$ 274	\$ 34	\$ 21	\$ 137	\$ 20	\$ -	\$ 10	\$ 496
Net appreciation in fair value of investments	2	9	6	29	6	-	3	55
Rents and reimbursements	40	5	-	-	-	-	-	45
Other	102	-	-	-	-	-	-	102
Total additions	<u>418</u>	<u>48</u>	<u>27</u>	<u>166</u>	<u>26</u>	<u>-</u>	<u>13</u>	<u>698</u>
Deductions:								
General and administrative:								
Salaries, wages and benefits	370	191	119	319	66	47	29	1,141
Materials, supplies and other services	311	160	100	268	55	40	24	958
Project expenses	4,453	820	472	17,052	1,744	199	423	25,163
Total deductions	<u>5,134</u>	<u>1,171</u>	<u>691</u>	<u>17,639</u>	<u>1,865</u>	<u>286</u>	<u>476</u>	<u>27,262</u>
Net decrease before transfers	(4,716)	(1,123)	(664)	(17,473)	(1,839)	(286)	(463)	(26,564)
Transfers in	-	-	-	4,856	-	-	-	4,856
Transfers out	(8,630)	(4,086)	(2,658)	(5,060)	(1,065)	(557)	(346)	(22,402)
Total transfers	<u>(8,630)</u>	<u>(4,086)</u>	<u>(2,658)</u>	<u>(204)</u>	<u>(1,065)</u>	<u>(557)</u>	<u>(346)</u>	<u>(17,546)</u>
Extraordinary item from Redevelopment Agency Dissolution	50,087	22,790	32,299	103,697	16,149	(1,718)	3,419	226,723
Change in net assets	36,741	17,581	28,977	86,020	13,245	(2,561)	2,610	182,613
Net assets at beginning of period	-	-	-	-	-	-	-	-
Net assets (deficit), ending	<u>\$ 36,741</u>	<u>\$ 17,581</u>	<u>\$ 28,977</u>	<u>\$ 86,020</u>	<u>\$ 13,245</u>	<u>\$ (2,561)</u>	<u>\$ 2,610</u>	<u>\$ 182,613</u>

Board of Directors
Oakland Redevelopment Successor Agency
Oakland, California

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying basic financial statements of the Oakland Redevelopment Successor Agency (ORSA), a component unit of the City of Oakland (City), California, as of June 30, 2012 and for the period from inception (February 1, 2012) through June 30, 2012, and have issued our report thereon dated January 3, 2013. Our report includes an emphasis of a matter paragraph referring to Note 9 of the basic financial statements relating to uncertainties with the Redevelopment Dissolution Law. 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

Management of the ORSA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the ORSA’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ORSA’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ORSA’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 a 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 ORSA’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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the ORSA's Board of Directors, Oversight Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Connell LLP

Walnut Creek, California

January 3, 2013

APPENDIX C
REPORT OF THE FISCAL CONSULTANT

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OAKLAND REDEVELOPMENT SUCCESSOR AGENCY
CENTRAL DISTRICT REDEVELOPMENT PROJECT
PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES

August 7, 2013

I. Introduction

The Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, Series 2013 (the “Bonds”), are being issued by the Oakland Redevelopment Successor Agency (the “Successor Agency”) and will be secured by tax increment revenues from the former Central District Redevelopment Project Area (herein referred to as the Original Project Area) and the territory added by the Twelfth Amendment (herein referred to as the 2002 Amendment Area). Within this report, the Original Project Area and the 2002 Amendment Area together will be referred to as the Project Area. Proceeds of the Bonds will be used to refund the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 and to pay the costs of issuance of the Bonds. The intent of the refunding will be to lower the cost of repayment of the refunded bonds in accordance with Section 34177.5 of the Health and Safety Code. In accordance with Section 34177.5(g) the Bonds shall be considered indebtedness incurred by the dissolved redevelopment agency with the same legal effect as if the bonds had been issued, incurred, or entered into prior to June 29, 2011, and in full conformity with the applicable provisions of the Community Redevelopment Law that existed prior to that date. The debt service payment amounts shall be included in the Successor Agency’s Recognized Obligation Payment Schedule, and shall be secured by a pledge of the moneys deposited from time to time in the Redevelopment Property Tax Trust Fund that was established pursuant to subdivision (c) of Section 34172, as provided in paragraph (2) of subdivision (a) of Section 34183.

The California Community Redevelopment Law (the “Law”) provided for the creation of redevelopment agencies by cities and counties for the purpose of the elimination of blight. The Law, together with Article 16, Section 16 of the California Constitution, authorized redevelopment agencies to receive that portion of property tax revenue generated by project area taxable values that are in excess of the Base Year value. The Base Year value is defined as the amount of the taxable values within the project area boundaries on the last equalized tax roll prior to adoption of the project area. The amount of current year taxable value that is in excess of the Base Year value is referred to as incremental taxable value.

Tax revenues generated from the incremental taxable value in a redevelopment project area were, prior to February 1, 2012, generally referred to as Tax Increment Revenues. The Law provided that the Tax Increment Revenues could be pledged by a redevelopment agency to the repayment of agency indebtedness. In this report, Tax Increment Revenues, including Unitary Tax Revenue (see Section IV.H., Allocation of State Assessed Unitary Taxes) are referred to as Gross Tax Revenues. Gross Tax Revenues less the County Property Tax Collection Fees (see Section IV G, County Property Tax Collection Reimbursement) and Statutory Tax Sharing payments (see Section VII, Tax Sharing and Other Obligations) are referred to as Tax Revenues. Tax Revenues, less those amounts obligated for payment pursuant to subordinate agreements, are referred to as Net Tax Revenues.

Allocation of tax increment revenue has been significantly altered by the passage of ABx1 26 and AB 1489 by the California Legislature. This legislation has been designed to dissolve

redevelopment agencies formed pursuant to the Law while assuring that the enforceable obligations incurred by the former redevelopment agencies are repaid (see Section VI Legislation). While tax increment revenues were previously allocated by the County Auditor-Controller over the period from January to June of each fiscal year, beginning with fiscal year 2012-13 revenues will only be allocated on January 2 and June 1 of each year.

The purpose of this fiscal consultant report (the "Report") is to examine property tax information for the current fiscal year and to project the amount of tax increment revenues anticipated to be received by the Successor Agency from the Project Area for the current fiscal year and nine subsequent fiscal years. Provisions of the Law and the Redevelopment Plan for the Project Area determine the amount of Tax Revenue that the Successor Agency may utilize for purposes of making debt service payments and any payments on other obligations with a superior lien on Tax Revenues (see Section VII, Tax Sharing Agreements and Other Obligations, below). As a result of our research, we project that the Tax Revenues for the Project Area will be as shown in Table A below (000's omitted):

Table A Projected Tax Revenues (000's Omitted)							
Fiscal Year	Gross Tax Revenues	SB 2557 Admin. Charges	Statutory Tier 1 Tax Sharing	Statutory Tier 2 Tax Sharing	Tax Revenues	Former LMIH Set-Aside	Tax Revenue less LMIH Set-Aside
2013-14	\$53,486	(\$429)	(\$4,315)	(\$ 0)	\$48,724	\$10,694	\$38,030
2014-15	51,403	(413)	(3,902)	(0)	47,088	10,281	36,808
2015-16	52,394	(421)	(4,100)	(0)	47,873	10,479	37,394
2016-17	53,405	(429)	(4,302)	(68)	48,605	10,681	37,925
2017-18	54,436	(437)	(4,508)	(237)	49,253	10,887	38,366
2018-19	55,488	(446)	(4,719)	(410)	49,914	11,098	38,816
2019-20	56,560	(454)	(4,933)	(585)	50,587	11,312	39,275
2020-21	57,655	(463)	(5,152)	(765)	51,275	11,531	39,744
2021-22	58,771	(472)	(5,375)	(948)	51,976	11,754	40,222
2022-23	59,909	(481)	(5,603)	(1,134)	52,691	11,982	40,709

The taxable values of property and the resulting Tax Revenues for the Project Area summarized above are reflected on Tables 1 and 2 of the projections (attached). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of the Alameda County Auditor-Controller. The projection illustrates the entire amount of Tax Revenues projected as being available from the Project Area. Future year assessed values and Tax Revenues are projections based on the assumptions described in this Report and are not guaranteed as to accuracy and are not to be construed as a representation of such by HdL Coren & Cone.

II. The Project Area

The City Council of the City of Oakland adopted the Central District Urban Renewal Plan (the Plan) on June 12, 1969. The plan was amended by Ordinance No. 10822 on December 16, 1986 to incorporate limits on receipt of tax increment revenue. The Plan was also amended or

supplemented by the adoption of ordinances on January 21, 1971, May 29, 1973, December 16, 1975, December 12, 1978, June 12, 1979, August 3, 1982, October 2, 1984, June 11, 1985, March 27, 1990, February 18, 1997, October 27, 1998, December 20, 1994, July 24, 2001, January 6, 2004 and July 20, 2004. The amendment approved by Ordinance No. 10256 on August 3, 1982 added territory to the original boundaries of the Plan (the 1982 Amendment Area). The parcels within the territory that was added by this amendment were, at that time, all owned by state and federal governmental agencies. The 2002 Amendment Area was adopted on July 24, 2001 and added an additional 14.86 acres of new territory to the Plan. The 2002 Amendment Area was eligible to receive tax increment revenue for the first time in fiscal year 2002-03; however, no assessed value was reported for 2002 Amendment Area by the Auditor-Controller for that fiscal year. The first fiscal year for which revenue was allocated was 2003-04.

A. Land Use

Table B represents the breakdown of land use in the Project Area by the number of parcels and their taxable value for fiscal year 2013-14. This information is based on County land use designations as provided by Alameda County through tax roll data. It should be noted that the County land use designations do not necessarily parallel City land use and zoning designations. Unsecured, Cross Reference and SBE Non-Unitary values are connected with parcels that are already accounted for in other categories.

From 2012-13 to 2013-14 there was a reduction in the number of residential parcels. The number of residential parcels decreased by 350; from 4,405 to 3,695 as a result of the re-categorization of formerly individual residential units into single residential parcels. It appears that the residential condominium units owned by Alta City Walk and Aqua Via Corporation have been recombined and this has resulted in the reduction in the number of residential parcels.

Table B Project Area Land Use Categories			
Category	No. Parcels	Net Taxable Value	% of Total
Residential	3,695	\$1,443,862,783	30.85%
Commercial	1,243	2,373,404,527	50.72%
Industrial	134	235,651,724	5.04%
Exempt	221	0	0.00%
Institutional	35	10,028,486	0.21%
Recreational	58	19,265,653	0.41%
Vacant	<u>110</u>	<u>51,673,772</u>	<u>1.10%</u>
Subtotal	5,496	\$4,133,886,945	88.34%
SBE Non-Unitary		37,130	0.00%
Unsecured		<u>545,810,507</u>	<u>11.66%</u>
Subtotal		\$545,847,637	11.66%
Total:		\$4,679,734,582	100.00%

B. Redevelopment Plan Limits

In accordance with the Law as it existed prior to the adoption of ABx1 26, redevelopment plans adopted after October 1, 1976 are required to include a limitation on the number of tax increment dollars that may be allocated to the Agency, and a time limit on the establishment of

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

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

Until recent amendments, the 1982 Added Area possessed its own tax increment limit of \$75 million but the time limits required by law are identical to those of the Original Project Area. Because the 1982 Added Area consists almost exclusively of government owned buildings and, until 2000-01, produced no tax increment revenue, for purposes of this report we have included this area within the Original Project Area. The total amount of tax increment revenue generated by the 1982 Added Area since through 2011-12 is estimated to be \$5.6 million.

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

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

On April 3, 2012, the City Council adopted Ordinance No. 13109 that amended the redevelopment plan as it applies to the Original Project Area to extend the time limit on redevelopment plan effectiveness to June 12, 2022 and to extend the time limit on receipt of tax increment revenue by ten years to June 12, 2032 pursuant to Section 33333.10(a)(1) of the Law. Further, this redevelopment plan amendment increased the limit on the amount of tax increment

that may be received for repayment of indebtedness to a total of \$3 billion pursuant to Sections 33451.5 and 33354.6 of the Law. Ordinance No. 13109 further extended the time limit on the former agency's eminent domain authority for both the Original Project Area and for the 2002 Amendment to June 12, 2012. Under the Law, these time limit and tax increment limit extensions are to result in increases in the Housing Set-Aside Requirement and place limitation on how the revenue that is received in excess of the original tax increment limit may be used. The dissolution of redevelopment agencies by ABx1 26 may make these consequences of the Plan amendments moot. On this same day, the City Council adopted Ordinance No. 13110 that amended the redevelopment plan as it applies to both the Original Project Area and the 2002 Amendment Area by extending the time limits on redevelopment plan effectiveness and repayment of indebtedness by one year pursuant to Section 33331.5 of the Law.

Prior to adoption of Plan amendments within Ordinance No. 13109, the redevelopment plan limited the Agency to the receipt of \$1,348,862,000 in tax increment revenue over the life of the Plan within the Original Project Area. While the amendments implemented by this ordinance increase the limit on receipt of tax increment to \$3 billion, these amendments are subject to challenge for a period of two years from the date of adoption, April 3, 2012, pursuant to the Law as amended by ABx1 26. If the increase in the tax increment limit is not challenged during the challenge period and remains at \$3 billion, it is very unlikely that this limit would even be approached within the remaining time limits. This new tax increment limit amends and is inclusive of revenues from the 1982 Added Area.

According to County records, through Fiscal Year 2012-13, the Agency has been allocated \$932,188,431 of tax increment revenue within the Original Project Area inclusive of those small amounts that may have been allocated from properties within the 1982 Added Area. The amount of tax increment revenue allocated from the 1982 Added Area is not identified by the Auditor-Controller. Based on incremental values and tax rates for this area since its adoption, it is estimated that a cumulative total of \$5.7 million has been received from the 1982 Added Area. Based on the projection of revenues over the life of the Original Project Area, the tax increment limit in existence prior to the adoption of Ordinance No. 13109 will be reached during fiscal year 2020-21 and, absent the amendment, no additional revenue will be allocated to the Original Project Area. If growth within the Original Project Area exceeds the projection it will reach the original tax increment limit earlier. Based on the projections, the cumulative tax increment revenue allocated within the Original Project Area will reach 90% of the original tax increment limit during fiscal year 2018-19.

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

Table C
Applicable Redevelopment Plan Limits

Project Area	Last Date to Incur New Debt	Plan Expiration	Last Date to Repay Debt	Tax Increment Limits	Tax Increment Through 2012-13
Original Project	Eliminated	June 12, 2023	June 12, 2033	\$3 billion	\$932,188,431
1982 Added	Eliminated	June 12, 2023	June 12, 2033		
2002 Amendment	July 24, 2021	July 24, 2033	July 24, 2048	No Limit	\$7,690,429

III. Project Area Assessed Values

A. Assessed Values

Taxable values for all parcels are prepared by the County Assessor and reported by the County Auditor-Controller each fiscal year. These values represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (“TRA”) that are collectively coterminous with the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the ten most recent fiscal years beginning with 2003-04.

From 2003-04 through 2009-10, the Original Project Area steadily added assessed value. Assessed values grew during this period by \$1.9 billion (68.49%). The 2010-11 values were down by \$332.2 million (-7.04%) relative to 2009-10. Assessed values for 2011-12 reflected a reduction of \$14.4 million (-0.33%) relative to 2010-11. Assessed values fell slightly more in 2012-13 by dropping another \$1.4 million (-0.03%). Over this three year period, values declined by a total of \$348 million (-7.38%). Assessed values for 2013-14 within the Original Project Area are up by \$132.8 million (3.04%). This growth was the result of increased value among both secured and unsecured assessments. Despite the declines in value between 2009-10 and 2013-14, values over the past 10 years have grown by \$1.54 billion (51.78%). This growth has been substantially the result of increases in assessed value on the secured tax roll. Unsecured assessed values have experienced significant gains as well. Part of this unsecured value growth came from the reassignment of the Uptown Housing Partners LP possessory interest values (\$124.7 million) to the unsecured tax rolls in 2010-11. For 2013-14 unsecured values constitute 11.47% of all valuation within the Original Project Area. The information outlined above is based on the lien date tax rolls as provided by the Alameda County Assessor.

The 2002 Amendment Area became eligible to receive tax increment revenue for the first time in 2003-04 and had positive incremental value of \$23,685,062 in that fiscal year. The 2002 Amendment Area experienced a decline in value for 2004-05 of \$3,889,823 (9.86%). This decline in value was almost entirely within the improvement value on the secured tax roll and was attributable to reductions in value on two parcels owned by OTAC Block 24 LLC (Oakland Telecom Access Center). These parcels were reduced in value for 2004-05 by a combined total of \$5,921,310 that was partially offset by increases in value on other parcels within the 2002 Amendment Area. The assessed values within the 2002 Amendment Area declined further for 2005-06 as secured values dropped by \$6,818,968 (20.1%). This reduction in value was wholly attributable to reductions due to assessment appeals on two parcels owned by Jack London

Technology Center LLC. These parcels are the same parcels that in prior years were listed as being owned by OTAC Block 24 LLC. Increases in value on all other parcels in the 2002 Amendment Area partially offset these reductions in value. The 2002 Amendment Area experienced modest growth in assessed value for 2006-07 (4.55%) and in 2007-08 (2.98%) but increased in value by \$14.1 million (45.4%) for 2008-09. Of this growth for 2008-09, \$10.6 million was from the secured tax roll values and \$3.5 was from the unsecured tax rolls. Much of this value increase appears to be the result of property improvements connected with the location of Pixar Animation Studios to a location within the property owned by 365 Jack London Square LLC at 720 Second Street and at 229 Castro Street. Assessed values for 2009-10 grew by \$52.6 million (116.61%), primarily due to added value by Jack London Square LTD totaling \$42.9 million. A small amount of growth in 2010-11 was followed by an increase of \$109.2 million (110.34%) for 2011-12. The increase for 2011-12 was primarily due to the purchase of the former Oakland Telecom Access Center property by Digital 720 2nd LLC. This large gain was, however, partially lost by appeals reductions applied to the 2012-13 values. These reductions caused the 2002 Amendment Area to lose \$30.1 million (-14.47%) in value for 2012-13. Values declined further for 2013-14. A very slight increase (0.14%) in secured values was overcome by a larger decline in unsecured values (-4.89%). Taken together, the reduction in values for 2013-14 within the 2002 Amendment Area was \$1.3 million (-0.70%).

The Alameda County Assessor has reviewed and made adjustments to the values of residential properties sold after July 2004 pursuant to the requirements of Proposition 8. The constitution requires the Assessor to enroll a property's value at the lesser of the prior year value adjusted for inflation or the current market value. For 2013-14 there are 1,593 parcels in the Project Area that have been reduced in value under Proposition 8. These properties are currently enrolled at values that are, on average, 31.0% lower than the property's peak value. This represents a total of \$292.2 million in value that is eligible to be recovered under Proposition 8 as assessed values recover. These parcels reduced under Proposition 8 represent 43.1% of all residential parcels located in the Project Area.

B. Top Ten Taxable Property Owners

A review of the top ten taxpayers in the Project Area for fiscal year 2013-14 was conducted. The assessed values of those properties controlled by the top ten taxpayers were compared to the total assessed value and incremental value of the Project Area. The following Table D summarizes the attributes of the top ten taxpayers for the Project Area. A more complete outline of the top taxpayer information is contained on Table 4 of the attached tax increment projections.

Table D			
Project Area Top Ten Taxpayers			
Taxpayer	Taxpayer Assessed Value	% of Assessed Value	% of Incremental Value
		\$4,679,734,582	\$4,394,666,370
OCC Venture LLC	\$241,173,092	5.15%	5.49%
Kaiser Foundation Health Plan, Inc.	190,361,814	4.07%	4.33%
CIM Oakland Center 21	180,246,000	3.85%	4.10%

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CIM Oakland 1 Kaiser Plaza	132,819,941	2.84%	3.02%
Digital 720 2 nd	127,825,966	2.73%	2.91%
1800 Harrison Foundation	127,509,307	2.72%	2.90%
Uptown Housing Partners LP	127,139,186	2.72%	2.89%
555 Twelfth Street LP	121,289,573	2.59%	2.76%
Westcore City Center	110,000,000	2.35%	2.50%
Alta City Walk	<u>69,248,581</u>	<u>1.48%</u>	<u>1.58%</u>
Totals:	\$1,427,613,460	30.51%	32.49%

CIM Group is an urban real estate investment company that owns a number of properties in the Project Area and in areas of Oakland that are not in the Project Area. Despite the fact that CIM Group is the major investor in each of these properties, the properties are held as separate limited partnerships. For this reason, we have segregated each of their partnerships into separate taxpayer groups. For information purposes, the properties within the Project Area that held by CIM Group limited partnerships are listed below:

<u>Limited Partnership</u>	<u>Property Address</u>	<u>Net Taxable Value</u>
CIM Oakland 1 Kaiser Plaza LP	1 Kaiser Plaza	\$132,812,205
CIM Oakland Center 21 LP	2101 Webster St.	128,103,149
CIM Oakland Center 21 LP	2150 Franklin St.	52,112,876
CIM Oakland 1333 Broadway LP	1333 Broadway	49,149,780
CIM Oakland Downtown LP	988 Broadway	26,349,003
CIM Oakland 2353 Webster LP	2325 Webster St.	<u>3,660,090</u>
Combined Taxable Value:		\$392,187,103

Among the top ten taxpayers in the Project Area, Kaiser Foundation Health Plan Inc., CIM Oakland Center 21, CIM Oakland 1 Kaiser Plaza and Digital 720 2nd all have pending appeals on parcels that they own. The Table E below tabulates the pending appeals for these owners.

**Table E
Pending Appeals Among Top Ten Taxpayers**

<u>Taxpayer</u>	<u>FY Appealed</u>	<u>No. Parcels</u>	<u>Enrolled Value Under Appeal</u>	<u>Owner Opinion of Value</u>	<u>Max. Potential Value Loss</u>
Kaiser Foundation Health Plan Inc.	2011-12	1	27,189,039	17,076,000	10,113,039
CIM Oakland Center 21	2011-12	2	170,251,617	86,000,000	84,251,617
CIM Oakland 1 Kaiser Plaza	2011-12	1	127,659,692	64,000,000	63,659,692
Digital 720 2nd	2011-12	1	75,690,000	65,467,400	10,222,600
	2012-13	1	53,631,600	26,815,800	26,815,800

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of property are established each year on the January 1 property tax lien date. Real property values reflect the reported assessed values for secured and unsecured land and

improvements. Article XIII A of the California Constitution (Proposition 13) provides that a parcel's base year value is established when locally assessed real property undergoes a change in ownership or when new construction occurs. Following the year a parcel's base year value is first enrolled, the value is factored annually for inflation. The base year value of a parcel is the value established as the full market value upon a parcel's sale, improvement or other reassessment. The term base year value does not, in this instance, refer to the base year value of the Project Area. Pursuant to Article XIII A, section 2(b), and Revenue and Taxation Code Section 51, the percentage increase cannot exceed 2% of the prior year's value.

Each year the Board announces the applicable adjustment factor. Since in most years inflation has exceeded 2%, the announced factor has usually reflected the 2% cap. Through 2012-13 there have been six occasions when the inflation factor has been less than 2%. Until 2010-11, in the more than 30 years since the passage of Proposition 13, the annual adjustment never resulted in a reduction to the base year values of individual parcels, however, the factor that was applied to real property assessed values for the January 1, 2010 assessment date was -0.237% and resulted in reductions to the adjusted base year value of parcels. The California Consumer Price Index (CCPI) changes between October, 2009 and October, 2010 were used to calculate the adjustment factor for the January 1, 2011 assessment date. The data for that period led to an announcement by the Board on December 16, 2010 that the inflation adjustment for 2011-12 was 0.753%. The inflation adjustments for 2012-13 and for 2013-14 were determined by the Board to be the full 2% allowed by Article XIII A, Section 2(b). For purposes of this projection, we have assumed that the annual inflation adjustment will be 2% each in each year.

Utility property assessed by the Board may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of Personal Property is also established on the lien dates and is not subject to the annual 2% limit of locally assessed real property.

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

B. Supplemental Assessment Revenues

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment and is determined by applying the current year's tax rate to the amount of the increase or decrease in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property.

Since 1984-85, revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Assessment Revenues by taxing entities typically follows the

change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in the projections.

C. Tax Rates

Tax rates will vary from area to area within the State, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area where the parcel is located. The tax rate consists of the general levy rate of \$1.00 per \$100 of taxable value and the over-ride tax rate. The over-ride rate is that portion of the tax rate that exceeds the general levy tax rate and is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII.

A Constitutional amendment approved in June 1983 allows the levy of over-ride tax rates to repay indebtedness for the acquisition and improvement of real property, upon approval by a two-thirds vote. A subsequent amendment of the Constitution prohibits the allocation to redevelopment agencies of tax revenues derived from over-ride tax rates levied for repayment of indebtedness approved by the voters after December 31, 1988. Tax rates that were levied to support any debt approved by voters after December 31, 1988 were not allocated to redevelopment agencies. The over-ride tax rates typically decline each year as a result of (1) increasing property values (which would reduce the over-ride rate that must be levied to meet debt service) and (2) the eventual retirement of debt over time. There are three debt service over-ride tax rate levied within the Project Area that received voter approval prior to December 31, 1988. These tax rates are levied by the City of Oakland, the East Bay Municipal Utilities District and the East Bay Regional Parks.

ABx1 26 was adopted in late June, 2011 (see Legislation, Section VI). Section 34183(a)(1) of that legislation requires the Auditor Controller to allocate all revenues attributable to tax rates levied to make annual repayments of the principal and interest on any bonded indebtedness for the acquisition or improvement of real property to the taxing entity levying the tax rate. This has been interpreted by Alameda County to include all revenues resulting from the override tax rates that are being levied by East Bay Municipal Utilities District and the East Bay Regional Parks. The override tax rate levied by the City of Oakland is not considered by the Auditor-Controller as being levied for purposes of paying principal and interest on bonded indebtedness for the acquisition or improvement of real property and due to this interpretation, the revenues from this City override tax rate is still deposited in the Redevelopment Property Tax Trust Fund for allocation to the Successor Agency.

As a result, the tax increment revenues used in this projection are derived from the general levy tax rate and the qualifying override tax rate levied by the City of Oakland. All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that is applied to secured and unsecured value in calculating the projected 2013-14 revenues are not yet available so the 2012-13 tax rates are reflected in Table F below.

Table F
2012-13 Secured Tax Rate

		Termination Date
General Levy	1.00000	
City of Oakland	<u>.15750</u>	<u>2026</u>
Total RDA Eligible Tax Rate:	1.15750	
 <u>Non-RDA Eligible Tax Rates</u>		
East Bay Regional Park 1	.00510	
EBMUD Special District 1	.00680	
Oakland U.S.D. Bonds	.13840	
Peralta Community College Dist.	.04340	
Bay Area Rapid Transit District	.00430	
City of Oakland	<u>.05021</u>	
Total Tax Rate:	<u>1.40571</u>	

The override rate approved by voters before 1989 and levied by the City of Oakland is authorized for long term funding of pension funds and has been authorized through 2026. The appropriate retirement dates of this override tax rates has been factored into the projection. This RDA eligible tax rate will not change for 2013-14 and we project it as unchanged through the termination date of the debt service tax rate in 2026.

D. Allocation of Taxes

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. Prior to February 1, 2012, the County utilized an alternative method for the distribution of tax revenue to taxing agencies known as the Teeter Plan. Under this method, the taxing entities, including redevelopment agencies in Alameda County receive 100 percent of the taxes levied on the extended tax roll subject to correction, cancellation and refunds. The tax revenues of the former Agency were not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. Counties utilizing the Teeter Plan are required to maintain a fund in an amount determined by the code that is to be used to cover losses that may occur as a result of property tax delinquencies.

As of February 1, 2012, the allocation of tax increment revenue was dictated by the legislation adopted as ABx1 26 (See Legislation, Section VI). Revenue to Successor Agencies is now made on January 2 and June 1 of each fiscal year. All tax increment revenue is accumulated by the County Auditor-Controller (CAC) in the Redevelopment Property Tax Trust Fund (RPTTF) for allocation on these two dates. The tax increment revenue available for allocation on January 1 consists of revenues collected after June 1 of the previous fiscal year and for collections in November and December of the current fiscal year. The tax increment revenues available for allocation on June 1 include revenues collected from January 1 to June 1 of the current fiscal year.

From the amounts accumulated in the RPTTF for each allocation date, the CAC is to deduct its own administrative charges and is to calculate and deduct amounts owed to taxing entities for tax

sharing agreements entered into pursuant to Section 33401 of the Law and for statutory tax sharing obligations required by Sections 33607.5 and 33607.7 of the Law. The amount remaining after these reductions, if any, is what is available for payment by the Successor Agency of debt obligations of the former redevelopment agency.

Prior to receiving revenues on January 2 and June 1, the Successor Agency must adopt a Recognized Obligation Payment Schedule (ROPS) that lists the debt obligations of the former redevelopment agency that must be paid during the upcoming six month periods of January 1 through June 30 and July 1 through December 31. There is provision in the legislation for a Successor Agency to request additional amounts in one ROPS payment to allow it to make payments that may be beyond the revenues available in the upcoming allocation cycle. The ROPS must be approved by an Oversight Board that is established in the legislation with membership consisting of representatives from various taxing entities. The ROPS must also receive approval from the State Department of Finance.

The Successor Agency is entitled to receive an amount to cover the administrative costs of winding down the business of the former redevelopment agency. This amount is set by the legislation at a minimum \$250,000 per year and a maximum that is 3% of the amount allocated from the RPTTF. To the extent that revenues are insufficient to pay all of the approved ROPS obligations, the Successor Agency's administrative allowance will be reduced or eliminated.

If there are RPTTF amounts remaining after reductions for county administrative charges, pass through obligations, ROPS obligations and Successor Agency administrative allowance, these remainder amounts are referred to as Residual Revenue. Residual Revenue for each allocation cycle is proportionately allocated to the taxing entities and to the Educational Revenue and Augmentation Fund (ERAF).

E. Assessment Appeals

Assessment appeals granted under Section 51 of the Revenue and Taxation Code (also known as Prop 8 Appeals) require that, for each subsequent lien date, the value of real property shall be adjusted to be the lesser of its base year value as adjusted by the inflation factor pursuant to Article XIII A of the State Constitution or its full cash value taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Significant reductions took place in some counties during the mid-1990's due to declining real estate values. Reductions made under this code section may be initiated by the Assessor or requested by the property owner.

After a roll reduction is granted under Section 51, the property is reviewed on an annual basis to determine the full cash value of the property and the valuation is adjusted accordingly. This may result in further reductions or in value increases. Such increases shall be consistent with the full cash value of the property and, as a result, may exceed the maximum annual inflationary growth rate allowed on other properties under Article XIII A of the State Constitution. Once the property has regained its prior value, adjusted for inflation it, once again, is subject to the annual inflationary factor growth rate allowed under Article XIII A. (See Section X).

Assessment appeals may also be requested as adjustments to a property's base year value. If such an appeal is granted with a change in value, the base year value of the property is adjusted

accordingly and that value is subsequently adjusted for new construction, demolition and any other changes requiring revaluation of the parcel's land, improvement and personal property values and by the annual inflationary factor growth rate allowed under Article XIII A.

There are 343 pending assessment appeals within the Project Area. The values under appeal total \$2.1 billion and the owners are seeking reductions totaling \$861.7 million. Based on the average number of appeals allowed over the past five years and the average reduction in value achieved in those successful appeals, we estimate that 252 of the currently pending appeals will be allowed with a reduction of \$294.1 million. The expected reduction in value has been incorporated into the projection as a reduction in assessed value for fiscal year 2014-15. Table G below shows the number of appeals that are pending, the values under appeal and the owner's opinion of value by fiscal year.

**Table G
Historical Assessment Appeal Summary
Fiscal Years 2009-10 through 2012-13**

Total Appeals Filed	No. of Resolved Appeals	No. of Appeals Allowed	Average Reduction	No. of Appeals Pending (Appealed Value)	Est. Appeals to be Allowed	Est. AV Loss on Pending Appeals Allowed (2014-15 AV Adjustment)
873	530	389	19.07%	343 (\$2.1 billion)	252	\$294,110,045

G. County Property Tax Collection Reimbursement

Chapter 466, adopted by Senate Bill 2557, allows counties to recover charges for property tax administration in an amount equal to their 1989-90 property tax administration costs, as adjusted annually. The amounts that are reimbursed are the costs connected with the collection and distribution of property taxes for the Tax Collector, the Auditor Controller and the Assessor. The portions of the reimbursement amount that are allocated to each taxing entity within the County are based on the percentage of the total assessed value in the County that each taxing entity's assessed value represents. The Project Area's Property Tax Collection Reimbursement charge for 2012-13 was \$396,229. This amount was approximately 0.8% of the Project Area's Gross Revenue for 2012-13. The estimated charge for 2013-14 and future years has been based on this same percentage of Gross Revenue.

In addition to the amounts charged by the County for administration of property taxes under SB 2557, pursuant to ABx1 26, the County may charge an administrative fee for administration of the RPTTF. The amount charged for the January 2, 2013 RPTTF allocation was less than \$15,000 for all of the Successor Agency's Project Areas. This nominal amount has not been factored into the projections.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization, other than railroads. Prior to fiscal year 1988-89, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property and assessed by the SBE are accumulated in a single Tax Rate Area for the County. It is then

distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus an increase for inflation of up to 2%; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenues above 2% would be allocated in the same proportion as the taxing entity's local secured taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the project area, therefore, the base year values of project areas have been reduced by the amount of utility value that existed originally in the base year. The amount of unitary revenues allocated to the Successor Agency for 2012-13 was \$2,599,828. The projections assume that this amount will be allocated in future years.

V. Low and Moderate Income Housing Set-Aside

Sections 33334.2 and 33334.3 of the Law required redevelopment agencies to set aside not less than 20 percent of all tax increment revenues from project areas adopted after December 31, 1976 into a low and moderate income housing fund (the Housing Set-Aside Requirement). Sections 33334.3, 33334.6 and 33334.7 of the Law extend this requirement to redevelopment projects adopted prior to January 1, 1977. With the adoption of ABx1 26, the Housing Set-Aside Requirement was eliminated. The housing fund into which these set-aside amounts were formerly deposited has been eliminated and any unencumbered amounts remaining in that fund have been paid to the County and these funds have been allocated to the taxing entities within the former project area.

VI. Legislation

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

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The former agency could have used any funds legally available and not legally obligated for other uses, including agency reserve funds, bond proceeds, earned income, and proceeds of land sales, but not moneys in the Low and Moderate Income Housing Fund (the Housing Fund) to satisfy this obligation. From 1994-95 to 2001-02, state budgets were adopted with no additional shifting of

tax increment revenues from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment revenues statewide from redevelopment agencies to ERAF to meet the state budget shortfall. AB 1768 (Chapter 1127, Statutes of 2002) was enacted by the Legislature and signed by the Governor and based upon the methodology provided in the 2002-03 budget the shift requirement for the former agency was \$1,267,072 for fiscal year 2002-03 only. The required payment was made without impacting its payment of debt service and other obligations.

As part of the State's 2003-04 budget legislation, SB 1045 (Chapter 260, Statutes of 2003) required redevelopment agencies statewide to contribute \$135 million to local County ERAF which reduced the amount of State funding for schools. This transfer of funds was limited to Fiscal Year 2003-04 only. The amount of tax increment revenues that were transferred by the former agency to Alameda County for 2003-04 was \$2,380,469. Under the Law as amended by SB 1045, the former agency was authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the former agency could repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years may be deducted from the amount of the Project Area's cumulative tax increment revenues. The City Council has extended the term of the Project Area's redevelopment plan by adoption of Ordinance No. 12617 on July 20, 2004. By approving such an amendment, the City Council extended by one year the effective life of the Original Project Area and 2002 Amendment Area and the period within which the former agency could repay indebtedness from tax increment revenues. This extension of time has been reflected in the projections and in the Project Area limits shown in Section II B, Table C.

After the State's budget for 2004-05 was approved by the legislature and signed by the Governor, Senate Bill 1096 was adopted. Pursuant to SB 1096, redevelopment agencies within the State were required to pay a total of \$250 million to ERAF for fiscal year 2004-05 and for 2005-06. Annual payments continued to be due on May 10 of each fiscal year. As in previous years, payments were permitted to be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50% of the current year Housing Tax Increment Revenues, however, the borrowed amount was required to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). The former agency's portion of the statewide ERAF requirement for 2004-05 was \$4,706,826 and for 2005-06 the requirement was \$4,669,367. Both payments were made prior to the deadline. Under SB 1096, redevelopment plans with less than ten years of effectiveness remaining from June 30, 2005, may be extended by one year for each year that an ERAF payment is made. For redevelopment plans with 10 to 20 years of effectiveness remaining after June 30, 2005, the plans may be extended by one year for each year that an ERAF payment is made if the City Council finds that the Agency is in compliance with specified state housing requirements. These requirements are: 1) that the agency is setting aside 20% of gross tax increment revenues; 2) that housing implementation plans are in place; 3) that replacement housing and inclusionary housing requirements are being met; and, 4) that no excess surplus exists. The Original Project Area had less than 20 years of effectiveness remaining after June 30, 2005 and was, therefore, eligible for two one year extensions under SB 1096. The City Council adopted these extensions and they have been incorporated in the projections. No such extension was possible for the 2002 Amendment Area.

The Legislature enacted AB 1389 to require a \$350 million shift for 2008-09 from redevelopment agencies to ERAF. There was to be no repayment of this amount, nor any extensions of redevelopment plan limits. The amount required to be paid by the former agency under this legislation was \$8,456,590. The payment may have come from any available Agency revenues. This legislation mandated this ERAF shift only for fiscal year 2008-09. The California Redevelopment Association (the CRA), the Executive Director of the CRA, the Madera Redevelopment Agency and the Moreno Valley Redevelopment Agency filed a lawsuit in the Sacramento Superior Court challenging the constitutionality of the AB 1389. A ruling on this suit by the Sacramento County Superior Court was filed on April 30, 2009. The Court found in favor of the plaintiffs and eliminated the requirement to make the ERAF payment mandated in AB 1389.

In July, 2009, the Legislature adopted AB 26 4x. This bill is implementing legislation to a package of 30 bills that were adopted in order to close the State's budget deficit. Under this legislation the redevelopment agencies statewide were required to pay \$1.7 billion in fiscal year 2009-10 and will be required to pay another \$350 million in 2010-11 into their county's "Supplemental" ERAF (the SERAF). Funds deposited in the SERAF will be distributed in such a way as to try to avoid the issues that were named by the Sacramento Superior Court in its ruling on AB 1389's ERAF payment requirement. The former agency was required to pay \$41,114,526 in May, 2010 and to pay \$8,456,590 in May, 2011.

Under this legislation, the former agency could use any available funds to make the SERAF payments. Any Housing Tax Increment Revenues amount used to make the SERAF payment must be repaid to the Housing Fund by June 30, 2015. On November 12, 2009, the Governor signed SB 68 (Steinberg) into law which modified AB 26 4x by allowing agencies to use the accumulated balances in their housing fund (and not just current year Housing Tax Increment Revenues) to make their SERAF payments, should that become necessary. Funds used from the Housing Fund existing balance to make the 2009-10 payment to County SERAF would be considered a loan to be repaid within five years. Using funds from accumulated Housing Fund would not be allowed for making payments due for 2010-11. The legislation requires that the funds be deposited into a County SERAF and distributed to K-12 school districts located in the Project Area in proportion to the average daily attendance of the district. The funds distributed to schools from the SERAF were to be used to serve pupils living in the Project Area or in housing supported by redevelopment funds.

The total amount of SERAF funds received by a school district was deemed to be local property taxes and reduced, dollar-for-dollar, the State's Prop 98 obligations to fund education. Agencies were entitled to a one-year extension on their AB 1290 time limits if they made timely SERAF payments. As with the earlier ERAF obligations, the obligation to make the SERAF payments was subordinate to debt service on bonds and other indebtedness. An agency was allowed to pay less than the amount required if it made findings that it was necessary to make payments on existing obligations required to be committed, set-aside or reserved by the agency during the applicable fiscal year. An agency that intended to pay less than the required amount in order to pay existing obligations had to adopt a resolution prior to December 31, 2009, listing the existing indebtedness and the payments required to be made during the applicable fiscal year.

On October 20, 2009 the CRA filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB-26 4x. In addition to the CRA, two redevelopment agencies were named

as plaintiffs in the lawsuit. These are the Union City Redevelopment Agency in Alameda County and the Fountain Valley Redevelopment Agency in Orange County. They serve as representatives of all redevelopment agencies in the state. The Court was asked to certify all redevelopment agencies as a class of plaintiffs in the lawsuit. With this suit, the CRA sought to invalidate the State's effort to require the redevelopment agencies to shift \$2.05 billion in tax increment revenues to the SERAF. On May 4, 2010, Judge Lloyd Connelly of the Sacramento Superior Court ruled in favor of the State of California and effectively authorized the SERAF obligations. The Judge refused to issue an order delaying the requirement for making the SERAF payments. The CRA unsuccessfully attempted to secure an injunction that would allow redevelopment agencies to delay payment of the SERAF obligations pending their appeal of Judge Connelly's ruling. According to the former agency, it borrowed the payment amount from the Housing Fund and submitted the required SERAF payment to the Auditor-Controller by the May 10, 2010 deadline. By making the required payments, the former agency was authorized to extend the expiration date of the Redevelopment Plan by one year which will similarly extend the time limit on repaying indebtedness. A one year extension of the time limit for plan effectiveness and repayment of indebtedness was adopted by the City Council by Ordinance No. 13110 on April 3, 2012.

Assembly Bill 1x 26 and Assembly Bill 1x 27 were introduced in May 2011 as placeholder bills and were substantially amended on June 14, 2011. These bills proposed to dramatically modify the Law as part of the fiscal year 2011-12 State budget legislation. AB 1x 26 would first dissolve redevelopment agencies statewide effective October 1, 2011 and suspend all redevelopment activities as of their effective date. AB 1x 27 would allow redevelopment agencies to avoid dissolution by opting into a voluntary program requiring them to make substantial annual contributions to local school and special districts. If all redevelopment agencies would have opted into this program, the contributions for 2011-12 would total \$1.7 billion. The amounts to be paid annually thereafter would be based on the amounts paid by an agency for 2011-12 with adjustments that increase the amounts to be paid based on growth in agency revenues. These bills were adopted by both the Assembly and the Senate on June 15, 2011. The bills were signed by the Governor in late June, 2011 and were challenged by a suit filed before the California Supreme Court by the CRA. On December 29, 2012, the Supreme Court ruled that ABx1 27 was unconstitutional and that ABx1 26 was not unconstitutional.

Having passed the some of the deadlines in ABx1 26, the Supreme Court's ruling modified some of the dates of the legislation. February 1, 2012 became the date that redevelopment agencies in California were officially dissolved. Cities and counties that had formed the dissolved redevelopment agencies along with other designated entities have begun the process of unwinding the affairs of the dissolved agencies as Successor Agencies to the former redevelopment agencies. On June 27, 2012 the legislature passed and the Governor signed Assembly Bill 1484. This legislation made certain revisions to the language of ABx1 26 based on experience after its implementation.

Once the obligations of the former redevelopment agencies have achieved recognition as Enforceable Obligations, the Successor Agency is obliged to manage the repayment of those Enforceable Obligations through the semiannual adoption of Recognized Obligation Payment Schedules (ROPS) by an oversight board made up of representatives of taxing entities within the former redevelopment agency. Membership of the oversight board is dictated by Section 34179 of the Law. After 2016, there will be a single oversight board in each county that will be

responsible for adoption of ROPS for all successor agencies in the county. The ROPS establishes the amounts that must be paid by the successor agency on the former agency's debts during the six month periods following payments from the RPTTF by the CAC on January 2 and June 1 of each year.

In Alameda County, the revenue available in the RPTTF for the January 2 payment consists of supplemental roll collections from June of the prior fiscal year and fifty percent of the expected incremental revenue for the current fiscal year. The revenues available in the RPTTF for the June 1 payments in Alameda County would normally include the remaining fifty percent of the total tax increment revenue for the current fiscal year and current year supplemental revenues normally allocated in April and May of each fiscal year.

For each allocation from the RPTTF, the CAC first deducts its administrative charges from the RPTTF amount. It then calculates the amount of the tax sharing obligations and deducts these amounts from the remaining RPTTF amount. The remaining balance is available for payment of the ROPS amount to the successor agency and for payment of an administrative allowance to the successor agency to cover the costs of the wind down of the former redevelopment agency's business. For administration of the wind down of agency affairs, the successor agency is entitled to receive a minimum annual amount of \$250,000 and up to a maximum of 3% of the amount allocated from the RPTTF for payment of enforceable obligations. Language in AB 1484 provided, however, for a reduction of the \$250,000 minimum amount by the successor agency's oversight board. If there is not enough money in the RPTTF to fund the county's administrative charges, pass through obligations and the amount needed for the ROPS, the successor agency's administrative allowance will be reduced or eliminated as necessary. There is a procedure in the Law for dealing with circumstances where the available RPTTF revenue is insufficient to pay all ROPS obligations and the Law requires reducing payments of existing pass through payments that are subordinate to debt service.

Any RPTTF amounts that remain after payment of the obligations outlined above are considered residual revenue. Residual revenue is based on the combined revenues for all of the former redevelopment agency project areas net of the payment obligations outlined above for all former project areas. Residual revenue, if any, is allocated to the taxing entities existing within the jurisdiction of the Successor Agency with each RPTTF allocation. The amount of residual revenue allocated to each taxing entity may be adjusted based on the amount of tax sharing that entity is entitled to receive. No taxing entity should receive from its pass through and residual revenue shares more than it would have received absent the existence of the former redevelopment agency. A letter from the California Department of Finance (DOF) dated January 11, 2013 has mandated that ERAF be paid its proportionate share of any residual revenue. Since ERAF is not given a share of tax revenue within the tax rate areas of the former redevelopment agencies in Alameda County, the CAC has determined a percentage share within each former redevelopment agency that will be provided to ERAF from any residual revenue.

Pursuant to Section 34187(b) of the Law, once the debts of the former redevelopment agency have been paid, the successor agency has one year to dispose of any remaining assets and terminate its existence. The enforceability of time and tax increment limits contained in the redevelopment plans is unclear. The covenants in many bond offerings require the adjustments to the deposit of tax increment revenues with the trustee if the receipt of tax increment approaches the tax increment or time limits within the redevelopment plan. The CAC has

indicated that it intends to abide by tax increment and time limits contained in the redevelopment plans. DOF has informally indicated that it believes the legislation intends for all enforceable obligations to be repaid notwithstanding redevelopment plan limits. If DOF's understanding of the legislation is applied, the ongoing repayment of enforceable obligations may be allowed to continue even if the Project Area's cumulative limit is reached.

As mentioned above in several instances many issues involved in the dissolution of redevelopment agencies have yet to be resolved including the continuation of plan limits, override revenues and the treatment of ERAF. Additionally approximately 80 lawsuits have been filed on various aspects of ABx1 26 and AB 1484 which could impact the dissolution of redevelopment agencies. Our projections could be impacted as a result of future court decisions.

VII. Tax Sharing Agreements and Other Obligations

The former Agency did not enter into any tax sharing agreements in connection with the Project Area. As the result of the Agency's elimination of the time limit on incurrence of indebtedness for the Original Project Area, the former Agency was obligated to make statutory tax sharing payments pursuant to Section 33607.7 of the Law. Tax sharing payments are made to all taxing entities in accordance with the three-tiered formulas for statutory tax sharing payments required of those project areas adopted after January 1, 1994. Since the former time limit on incurrence of new debt for the Original Project Area was January 1, 2004, these statutory tax-sharing payments began in fiscal year 2004-05 and use the valuation for 2003-04 as the adjusted base year.

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

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

be obligated to pay the taxing entities 14% of the revenue generated by the 2002 Amendment Area's annual third tier of incremental value net of the former Housing Set-Aside Requirement.

The Law as amended by ABx1 26 and AB 1484 requires that the County calculate and pay the tax sharing obligations of the former redevelopment agencies as part of the process of allocating revenue from the RPTTF each January 2 and June 1. The legislation requires that the calculations be done in the same manner as prior to January 1, 2011. This includes calculation of statutory tax sharing amounts using a deduction of 20% for Housing Set-Aside despite the fact that this obligation is no longer in effect.

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

VIII. Transfers of Ownership

Value will be added to the Project Area for fiscal year 2014-15 as the result of 164 transfers of ownership occurred after the January 1, 2013 lien date for the 2013-14 tax roll. These parcel transfers will add \$32.4 million in new value to the 2014-15 tax roll.

The changes in value indicated by the transfers of ownership have been reflected in the projected assessed values for 2014-15.

IX. Trended Taxable Value Growth

In accordance with Article XIII A of the State Constitution, growth in real property land and improvement values may reflect the year-to-year inflationary rate not to exceed 2% for any given year or reduction as shown in the consumer price index. A 2% growth rate is the maximum inflationary growth rate permitted by law and this rate of growth has been realized in all but six years since 1981. The years in which less than two percent growth was realized included fiscal years 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%), 1999-00 (1.85%), 2004-05 (1.867%), 2010-11 (-0.237%) and 2011-12 (0.753%). The State Board of Equalization announced in December, 2012 that the inflation adjustment for 2013-14 would be 2.00%. We have assumed 2% annual inflationary growth in all subsequent fiscal years. Future values will also be impacted by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than 2% when real estate values increase more than 2% (see

Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this Report might also impact taxable assessed values and Gross Revenues. Future values will also be affected by changes of ownership and new construction not reflected in our projections. HdL Coren & Cone makes no representation that taxable assessed values will actually grow at the rate projected.

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

According to RealtyTrac, the number of residential parcels on which Notices of Default or Notices of Trustee's Sale have been filed or are Lender owned total 2,398. This is 2.49% of the 96,142 residential parcels within the City. We are unable to determine how many of the parcels may be located within the Project Area. Further, we have no information on any possible commercial or industrial foreclosures or bank owned property. It is very likely that some commercial centers within the Project Area are experiencing vacancies. It is unclear if or how these vacancies may impact Project Area assessed values in future years.

Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Alameda County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the judgment of individual appraisers. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

**Oakland Redevelopment Successor Agency
Central District & 2002 Annex Combined**



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

8/7/2013

Table 1

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	
Taxable Values (1)											
Real Property (2)	4,459,602	4,281,173	4,366,797	4,454,133	4,543,216	4,634,080	4,726,761	4,821,297	4,917,723	5,016,077	
Personal Property (3)	<u>220,128</u>										
Total Projected Value	4,679,730	4,501,302	4,586,925	4,674,261	4,763,344	4,854,208	4,946,890	5,041,425	5,137,851	5,236,205	
Taxable Value over Base	285,068	4,394,662	4,216,233	4,301,857	4,389,193	4,478,276	4,569,140	4,661,821	4,756,357	4,852,783	4,951,137
Gross Tax Increment Revenue (4)	50,868	48,803	49,794	50,805	51,836	52,888	53,961	55,055	56,171	57,309	
Unitary Tax Revenue (5)	<u>2,600</u>										
Gross Revenues	53,468	51,403	52,394	53,405	54,436	55,488	56,560	57,655	58,771	59,909	
LESS:											
SB 2557 Admin. Fee (6)	(429)	(413)	(421)	(429)	(437)	(446)	(454)	(463)	(472)	(481)	
Tax Sharing:											
Statutory Tax Sharing Tier 1 (7)	(4,315)	(3,902)	(4,100)	(4,302)	(4,508)	(4,719)	(4,933)	(5,152)	(5,375)	(5,603)	
Statutory Tax Sharing Tier 2 (7)	0	0	0	(68)	(237)	(410)	(585)	(765)	(948)	(1,134)	
Statutory Tax Sharing Tier 3 (7)	0	0	0	0	0	0	0	0	0	0	
Tax Revenues	48,724	47,088	47,873	48,605	49,253	49,914	50,587	51,275	51,976	52,691	
Former Housing Set-Aside Requirement	10,694	10,281	10,479	10,681	10,887	11,098	11,312	11,531	11,754	11,982	
Tax Revenues Less Set-Aside Requirement	38,030	36,808	37,394	37,925	38,366	38,816	39,275	39,744	40,222	40,709	
Subordinate Obligations:											
Rotunda Garage DDA (8)	(50)	(51)	(52)	0	0	0	0	0	0	0	
Uptown Development DDA (8)	(1,110)	(1,134)	(1,158)	(1,182)	(1,207)	(1,233)	(1,259)	0	0	0	
Net Tax Revenue	47,564	45,903	46,663	47,423	48,046	48,681	49,329	51,275	51,976	52,691	

- (1) Taxable values as reported by Alameda County.
- (2) Real property consists of land and improvements. Increased for inflation annually at 2%. Values for 2014-15 are decreased for projected losses due to pending assessment appeals by \$294.2 million. Transfers of ownership after the January 1, 2013 lien date are projected to add \$32.4 million in additional value for 2014-15.
- (3) Personal property is held constant at 2013-14 level.
- (4) Projected Gross Tax Increment is based upon incremental values factored against the general levy tax rate of \$1.00 per \$100 of taxable value. Per ABx 1 26, all revenue derived from debt service override tax rates except for the City's pre-1989 pension fund override will be directed to the levying entities. Authorization for this City override terminates after FY 2025-26.
- (5) Unitary revenue as reported by Alameda County for 2012-13.
- (6) County Administration fee is estimated at 0.80% of Gross Revenue.
- (7) Within Central District, the last date to incur new debt was established as January 1, 2004 by Ordinance No. 11762 CMS pursuant to the Law. This limit was eliminated pursuant to Ordinance No. 12570 CMS. The elimination of this limit triggers the initiation of statutory tax sharing payments. Beginning in fiscal year 2004-05 and using the 2003-04 Project Area value as the base level of value, Taxing Entities began to receive their shares of 25% of total tax increment revenue net of housing set aside. The City is a taxing entity and may opt to receive its share of the first tier of this pass through amount. In addition, beginning in the 11th year after the initiation of statutory tax sharing payments, Taxing Entities receive 21% of tax revenue on incremental value above the 10th year value net of housing set aside. Statutory payments are projected to continue through the last date to pay indebtedness. Within the Central District 2002 Annex, all Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside. In addition, after year 10 the Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside. After year 30, Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside. The City of Oakland is a taxing entity and may elect to receive its share of the Tier 1 tax sharing amount.
- (8) Within Central District, the Agency has entered into two agreements that require it to make payments from tax increment revenue generated by the developments that are the subject of the agreements. The Rotunda Garage agreements requires payment of development revenues net of housing set-aside, tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Rotunda payments terminate after fiscal year 2015-16. The Uptown Development agreement requires payment of development revenues net of tax sharing amounts and a prorated portion of the Agency's ERAF obligation. The Uptown payments continue through 2019-20 and are subordinate to the payment of debt service on the Bonds.

Oakland Redevelopment Successor Agency

Central District & 2002 Annex Combined

PROJECTION OF INCREMENTAL VALUE AND TAX INCREMENT REVENUE

(000s Omitted)

Table 2



08/07/13

		Total	Taxable Value	Gross Tax	SB 2557	Statutory Tax Sharing Payments			Tax	Former Housing	Tax Revenues	Rotunda Garage	Uptown Project	Net Tax
		<u>Taxable Value</u>	<u>Over Base</u>	<u>Revenue</u>	<u>Charge</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Revenues</u>	<u>Set-Aside Reg.</u>	<u>Less Set-Aside</u>	<u>DDA Payments</u>	<u>DDA Payments</u>	<u>Revenues</u>
1	2013-14	4,679,730	4,394,662	53,468	(429)	(4,315)	0	0	48,724	10,694	38,030	(50)	(1,110)	47,564
2	2014-15	4,501,302	4,216,233	51,403	(413)	(3,902)	0	0	47,088	10,281	36,808	(51)	(1,134)	45,903
3	2015-16	4,586,925	4,301,857	52,394	(421)	(4,100)	0	0	47,873	10,479	37,394	(52)	(1,158)	46,663
4	2016-17	4,674,261	4,389,193	53,405	(429)	(4,302)	(68)	0	48,605	10,681	37,925		(1,182)	47,423
5	2017-18	4,763,344	4,478,276	54,436	(437)	(4,508)	(237)	0	49,253	10,887	38,366		(1,207)	48,046
6	2018-19	4,854,208	4,569,140	55,488	(446)	(4,719)	(410)	0	49,914	11,098	38,816		(1,233)	48,681
7	2019-20	4,946,890	4,661,821	56,560	(454)	(4,933)	(585)	0	50,587	11,312	39,275		(1,259)	49,329
8	2020-21	5,041,425	4,756,357	57,655	(463)	(5,152)	(765)	0	51,275	11,531	39,744			51,275
9	2021-22	5,137,851	4,852,783	58,771	(472)	(5,375)	(948)	0	51,976	11,754	40,222			51,976
10	2022-23	5,236,205	4,951,137	59,909	(481)	(5,603)	(1,134)	0	52,691	11,982	40,709			52,691
11	2023-24	5,336,527	5,051,459	61,070	(491)	(5,835)	(1,325)	0	53,420	12,214	41,206			53,420
12	2024-25	5,438,855	5,153,787	62,255	(500)	(6,072)	(1,519)	0	54,164	12,451	41,713			54,164
13	2025-26	5,543,229	5,258,161	63,463	(510)	(6,314)	(1,717)	0	54,923	12,693	42,230			54,923
14	2026-27	5,649,691	5,364,623	57,172	(459)	(5,767)	(1,686)	0	49,260	11,434	37,825			49,260
15	2027-28	5,758,283	5,473,214	57,332	(461)	(5,885)	(1,836)	0	49,151	11,466	37,685			49,151
16	2028-29	5,869,046	5,583,977	58,440	(470)	(6,106)	(2,017)	0	49,847	11,688	38,159			49,847
17	2029-30	5,982,024	5,696,956	59,569	(479)	(6,332)	(2,202)	0	50,556	11,914	38,642			50,556
18	2030-31	6,097,262	5,812,194	60,722	(488)	(6,563)	(2,391)	0	51,280	12,144	39,136			51,280
19	2031-32	6,214,805	5,929,736	61,897	(497)	(6,798)	(2,584)	0	52,018	12,379	39,639			52,018
20	2032-33	6,334,698	6,049,630	63,096	(507)	(7,037)	(2,780)	0	52,771	12,619	40,152			52,771
21	2033-34	179,862	164,081	1,641	(12)	(328)	(3)	(3)	1,294	328	966			1,294
22	2034-35	182,913	167,132	1,672	(13)	(334)	(8)	(7)	1,310	334	976			1,310
23	2035-36	186,024	170,244	1,703	(13)	(341)	(13)	(10)	1,326	341	985			1,326
24	2036-37	189,198	173,417	1,735	(13)	(347)	(19)	(14)	1,342	347	995			1,342
25	2037-38	192,435	176,655	1,767	(13)	(353)	(24)	(17)	1,359	353	1,005			1,359
26	2038-39	195,737	179,957	1,800	(14)	(360)	(30)	(21)	1,376	360	1,016			1,376
27	2039-40	199,105	183,325	1,834	(14)	(367)	(35)	(25)	1,393	367	1,026			1,393
28	2040-41	202,541	186,760	1,868	(14)	(374)	(41)	(29)	1,410	374	1,037			1,410
29	2041-42	206,045	190,264	1,903	(14)	(381)	(47)	(33)	1,428	381	1,048			1,428
30	2042-43	209,619	193,839	1,939	(15)	(388)	(53)	(37)	1,447	388	1,059			1,447
31	2043-44	213,265	197,484	1,975	(15)	(395)	(59)	(41)	1,465	395	1,070			1,465
32	2044-45	216,984	201,203	2,013	(15)	(403)	(65)	(45)	1,484	403	1,082			1,484
33	2045-46	220,777	204,996	2,051	(16)	(410)	(72)	(49)	1,504	410	1,094			1,504
34	2046-47	224,646	208,865	2,089	(16)	(418)	(78)	(54)	1,524	418	1,106			1,524
35	2047-48	228,592	212,811	2,129	(16)	(426)	(85)	(58)	1,544	426	1,118			1,544
				1,186,624	(9,522)	(115,240)	(24,836)	(442)	1,036,584	237,325	799,259	(153)	(8,283)	1,028,148

**Oakland Redevelopment Successor Agency
Central District & 2002 Annex Combined**



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

08/07/13

Table 3

	Adjusted for 2002 Anx. (2003-04)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Revised Base Year (2012-13)	2012-13	2013-14
<i>Secured (2)</i>												
Land	228,537,163	648,221,797	787,331,733	887,077,356	1,001,817,884	1,075,791,543	1,104,227,823	1,008,440,231	985,787,411	222,584,145	988,650,156	1,022,918,545
Improvements	0	2,267,137,556	2,409,234,083	2,626,819,254	2,960,305,611	3,201,364,132	3,517,961,093	3,206,966,764	3,320,572,300	0	3,350,273,604	3,412,213,690
Personal Property	0	28,048,236	31,599,936	32,697,514	41,939,628	29,737,050	33,943,712	36,927,536	39,644,485	0	41,483,837	30,565,550
Exemptions	0	(239,926,626)	(262,466,469)	(313,144,912)	(357,124,398)	(307,752,849)	(217,224,787)	(222,932,340)	(203,611,538)	0	(358,372,253)	(331,778,034)
Total Secured	228,537,163	2,703,480,963	2,965,699,283	3,233,449,212	3,646,938,725	3,999,139,876	4,438,907,841	4,029,402,191	4,142,392,658	222,584,145	4,022,035,344	4,133,919,751
<i>Unsecured</i>												
Land	0	18,223,522	52,491,047	52,028,589	36,866,215	32,529,564	49,929,608	53,274,500	58,950,294	0	79,869,532	80,378,949
Improvements	0	122,910,694	131,491,787	135,485,256	135,635,846	146,101,059	167,004,832	238,061,406	226,988,681	0	272,712,003	275,868,875
Personal Property	62,484,067	169,555,084	170,797,208	154,281,170	160,566,753	164,012,034	170,193,788	176,884,530	177,601,872	62,484,067	199,917,276	213,845,758
Exemptions	0	(11,769,795)	(13,448,722)	(3,998,748)	(9,335,981)	(11,266,674)	(10,048,101)	(12,659,097)	(26,136,572)	0	(26,309,376)	(24,283,075)
Total Unsecured	62,484,067	298,919,505	341,331,320	337,796,267	323,732,833	331,375,983	377,080,127	455,561,339	437,404,275	62,484,067	526,189,435	545,810,507
GRAND TOTAL	291,021,230	3,002,400,468	3,307,030,603	3,571,245,479	3,970,671,558	4,330,515,859	4,815,987,968	4,484,963,530	4,579,796,933	285,068,212	4,548,224,779	4,679,730,258
Secured Growth %			9.70%	9.03%	12.79%	9.66%	11.00%	-9.23%	2.80%		-2.91%	2.78%
Unsecured Growth %			14.19%	-1.04%	-4.16%	2.36%	13.79%	20.81%	-3.99%		20.30%	3.73%
Overall Growth %			10.15%	7.99%	11.18%	9.06%	11.21%	-6.87%	2.11%		-0.69%	2.89%
Incremental Value			3,016,009,373	3,280,224,249	3,679,650,328	4,039,494,629	4,524,966,738	4,193,942,300	4,288,775,703		4,263,156,567	4,394,662,046

(1) Source: County of Alameda.

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

Oakland Redevelopment Successor Agency

Central District & 2002 Annex Combined

TOP TEN TAXABLE PROPERTY OWNERS

For Fiscal Year 2013-14

Table 4



08/07/13

Taxpayers (1)	Secured			Unsecured			Total			Use Code
	Taxable Value	Parcels	% of Sec. AV	Taxable Value	Parcels	% of Unsec. AV	Taxable Value	% of Total Value	% of Inc. Value	
1. OCC Venture LLC	\$241,004,139	9	5.83%	\$168,953	1	0.03%	\$241,173,092	5.15%	5.49%	Non-contiguous Commercial Office Buildings
2. Kaiser Foundation Health Plan Inc. [Pending appeals on parcels]	\$157,196,803	5	3.80%	\$33,165,011	3	6.08%	\$190,361,814	4.07%	4.33%	Foundation Administrative Offices/Parking
3. CIM Oakland Center 21 [Pending appeals on parcels]	\$180,216,025	2	4.36%	\$29,975	1	0.01%	\$180,246,000	3.85%	4.10%	Commercial Office Buildings
4. CIM Oakland 1 Kaiser Plaza [Pending appeals on parcels]	\$132,812,205	1	3.21%	\$7,736	1	0.00%	\$132,819,941	2.84%	3.02%	Commercial Office Building
5. Digital 720 2nd [Pending appeals on parcels]	\$127,825,966	2	3.09%	\$0	0	0.00%	\$127,825,966	2.73%	2.91%	Light Industrial/High Tech Space
6. 1800 Harrison Foundation	\$127,509,307	1	3.08%	\$0	0	0.00%	\$127,509,307	2.72%	2.90%	Non-contiguous Commercial Office Buildings
7. Uptown Housing Partners LP	\$0	0	0.00%	\$127,139,186	1	23.29%	\$127,139,186	2.72%	2.89%	Multifamily Residential
8. 555 Twelfth Street LP	\$121,289,573	1	2.93%	\$0	0	0.00%	\$121,289,573	2.59%	2.76%	Commercial Office Buildings
9. Westcore City Center	\$110,000,000	3	2.66%	\$0	0	0.00%	\$110,000,000	2.35%	2.50%	Commercial and Commercial Office Buildings
10. Alta City Walk	\$69,248,581	1	1.68%	\$0	0	0.00%	\$69,248,581	1.48%	1.58%	Residential Condominiums
Top Ten Property Owner Totals:	\$1,267,102,599	25		\$160,510,861	7		\$1,427,613,460			
Project Area Totals:	\$4,133,919,751		30.65%	\$545,810,507		29.41%	\$4,679,730,258	30.51%		
Project Area Incremental Value:	\$3,911,335,606		32.40%	\$483,326,440		33.21%	\$4,394,662,046	32.49%		

(1) All taxpayers except for #5, Digital 720 2nd, are located within the original Central District Project Area.

**Oakland Redevelopment Successor Agency
Central District & 2002 Annex Combined**

Table 5



08/07/13

000's omitted

<u>Real Property</u>	<u>Sq. Ft./ # Units</u>	<u>Unit Value</u>	<u>Total Value</u>	<u>Less Existing</u>	<u>Value Added</u>	<u>Start</u>	<u>Complete</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
	0	\$0.00	\$0	\$0	\$0			\$0	\$0	\$0	\$0	\$0
Non-residential Transfers after 1/1/2013	22	Lump Sum	\$24,236,500	\$18,242,377	\$5,994			\$0	\$5,994	\$0	\$0	\$0
Residential Transfers After 1/1/2013	142	Lump Sum	\$73,076,000	\$46,693,759	\$26,382			\$0	\$26,382	\$0	\$0	\$0
Total Real Property:			\$97,312,500	\$64,936,136	\$32,376				\$32,376	\$0	\$0	\$0
						Adj. Annually for Inflation @	2%			\$0	\$0	\$0

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust dated as of January 1, 2003, between the Redevelopment Agency of the City of Oakland and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by the First Supplemental Indenture of Trust, dated as of February 1, 2005, between the Agency and the Trustee, the Second Supplemental Indenture of Trust dated as of November 1, 2006, between the Agency and the Trustee, the Third Supplemental Indenture of Trust dated as of May 1, 2009, between the Agency and the Trustee, and the Fourth Supplemental Indenture dated as of September 1, 2013 between the Oakland Redevelopment Successor Agency and the Trustee that are not otherwise described in the text of this Official Statement. Such summary is not intended to be definitive, and reference is made to the actual documents (copies of which may be obtained from the Agency) for the complete terms thereof.

Definitions

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

"Agency" means the Redevelopment Agency of the City of Oakland, as the Original Agency under this Indenture, or the Oakland Redevelopment Successor Agency, as the Successor Agency thereto, as applicable.

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

"Bonds" means the Series 2003 Bonds (to the extent provisions of the Indenture remain applicable to the Series 2003 Bonds after the defeasance thereof in accordance with the Series 2003 Refunding Instructions), the Series 2005 Bonds (to the extent provisions of the Indenture remain applicable to the Series 2005 Bonds after the defeasance thereof in accordance with the Series 2005 Refunding Instructions), the Series 2006T Bonds, the Series 2009T Bonds, the Series 2013 Bonds and any Parity Debt issued as bonds pursuant to a Supplemental Indenture.

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

"Bond Year" means any twelve-month period beginning on September 2 in any year and ending on the next succeeding September 1, both dates inclusive, except that, with respect to

the Series 2006T Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2006T Bonds and end on September 1, 2007, with respect to the Series 2009T Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2009T Bonds and end on September 1, 2009, and with respect to the Series 2013 Bonds, the first Bond Year shall begin on the Closing Date with respect to the Series 2013 Bonds and end on September 1, 2014.

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

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

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

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

"Continuing Disclosure Certificate" means, with respect to the Series 2006T Bonds, that certain Continuing Disclosure Certificate relating to the Series 2006T Bonds executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof, with respect to the Series 2009T Bonds, that certain Continuing Disclosure Certificate relating to the Series 2009T Bonds executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof, and with respect to the Series 2013 Bonds, that certain Continuing Disclosure Certificate relating to the Series 2013 Bonds, executed by the Agency, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

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

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

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

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

"Defeasance Obligations" means any of the following which, at the time of investment, are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that investments described therein are in compliance with the City's investment policies then in effect and, provided further, that the prior written consent of each Insurer shall be required for the use of Defeasance Obligations described in (d), (e) and (f) for the purposes set forth in the defeasance provisions described under the caption "Defeasance of Bonds":):

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

"Department of Finance" means the Department of Finance of the State of California.

"Dissolution Act" means California Assembly Bill X1 26 approved by the Governor of the State of California on June 28, 2011, as amended.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Agency and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to source of the investment.

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

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

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

"Fourth Supplement" means this Fourth Supplemental Indenture of Trust, dated as of September 1, 2013, by and between the Agency and Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2003 Indenture.

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

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

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

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

(a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of Redevelopment Projects;

(b) is in fact independent and not under domination of the Agency;

(c) does not have any substantial interest, direct or indirect, with the Agency;
and

(d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

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

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

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

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

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

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

"Original Agency" means the Redevelopment Agency of the City of Oakland.

"Oversight Board" means the Oversight Board of the Successor Agency established pursuant to the Section 34179 of the Dissolution Act.

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

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by any Insurer, as provided in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered by the Agency pursuant the Indenture.

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

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

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

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

"Permitted Investments" means any of the following which at the time of investment are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that the investments described therein are in compliance with the City's investment policies then in effect), but only to the extent that the same are acquired at Fair Market Value:

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

debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

- (e) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least "AAAm-G", "AAAm" or "AAm", and a rating by Moody's of "Aaa", "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);
- (f) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;
- (g) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;
- (h) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);
- (i) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;
- (j) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;
- (k) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;
- (l) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee; and

- (m) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended.

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

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

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

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit, insurance policy or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank is at least "AA" from S&P or "Aa" from Moody's and, in the case of an insurance company, the claims paying ability of such insurance company is "AAA" from S&P or "Aaa" from Moody's or, if rated by A.M. Best & Company, is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least 12 months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released; and (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw under the Indenture an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

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

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

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

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

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

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

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

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

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

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

"Reserve Requirement" means, means, only with respect to the Series 2013 Bonds, as of the date of calculation by the Agency, to and including August 31, 2019, the lesser of (i) the amount of Maximum Annual Debt Service on the Series 2013 Bonds, (ii) ten percent (10%) of the original principal amount of the Series 2013 Bonds, and (iii) one hundred and twenty five percent (125%) of average Annual Debt Service on the Series 2013 Bonds and, on and after September 1, 2019, \$4,734,100.00.

"Retirement Fund" means the Redevelopment Obligation Retirement Fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

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

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

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

"Senior Bonds Resolution" means the Resolution of the Agency adopted on June 3, 1986, entitled "Resolution of the Redevelopment Agency of the City of Oakland Authorizing the Issuance and Prescribing the Terms, Conditions and Form of \$91,555,000 Principal Amount of Redevelopment Project Tax Allocation Refunding Bonds, Series 1986," as amended and

supplemented by the Resolution of the Agency adopted on July 28, 1992, entitled "First Supplemental and Amendatory Resolution of the Redevelopment Agency of the City of Oakland Authorizing the Issuance and Prescribing the Agency of the City of Oakland Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992," and as it may be further amended from time to time, and pursuant to which the Senior Bonds were issued.

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

"Series 2003 Bonds" means, the Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003 issued in the initial principal amount of \$120,605,000.

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

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

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

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

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

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

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

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

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency in accordance with the requirements of the Indenture, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

"Successor Agency" means the Oakland Redevelopment Successor Agency.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Revenues" means all taxes annually allocated within the Plan Limit and paid to the Agency with respect to the Project Area pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Law and Section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and as provided in the Redevelopment Plan, and all payments, subventions and reimbursements, if any, to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations; but excluding all other amounts of such taxes (if any) (i) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to Section 33334.2 of the Law for increasing and improving the supply of low and moderate income housing, (ii) amounts payable by the State to the Agency under and pursuant to Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the California Government Code, and (iii) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of debt service on the Bonds.

"Tax Revenues Certificate" means a Written Certificate of the Agency identifying, among other things, the amount of Tax Revenues received or estimated to be received by the Agency in the then current Fiscal Year.

"Term Bonds" means that portion of any Bonds payable from mandatory sinking account payments.

"Third Supplement" means the Third Supplemental Indenture of Trust, dated as of May 1, 2009, by and between the Agency and Trustee, as the same may be amended from time to time in accordance with the terms of the Series 2003 Indenture.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Treasurer of the Agency or her or his designee, or by any other officer of the Agency or the City duly authorized by the Agency for that purpose.

Establishment of Funds and Accounts; Flow of Funds

Each of the following funds and accounts are established pursuant to the Indenture:

- (a) Special Fund,
- (b) Debt Service Fund,
- (c) Interest Account,
- (d) Principal Account,
- (e) Reserve Account, and
- (f) Redemption Account.

Special Fund; Deposit of Tax Revenues. There is established in the Indenture another special fund known as the "Special Fund", which is held by the Agency and which is in the Indenture referred to as the "Special Fund". Subject to the provisions of the Senior Bonds

Resolution regarding the application of Tax Revenues, the Agency shall transfer all of the Tax Revenues received in any Bond Year to the Special Fund promptly upon receipt thereof by the Agency, until such time during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred for deposit in such Bond Year (i) for deposit into the Interest Account, the Principal Account, the Reserve Account and the Redemption Account in such Bond Year and, if applicable, and (ii) with respect to any Parity Debt other than additional Bonds pursuant to the applicable Parity Debt Instrument. If the amount of Tax Revenues available in such Bond Year shall be insufficient to deposit the full amount required to be deposited pursuant to subsections (i) and (ii) of this paragraph, then the Agency shall transfer such Tax Revenues for deposit pro rata based on the full amounts required to be so deposited.

All Tax Revenues received by the Agency during any Bond Year in excess of the amount required to be deposited in the Special Fund during such Bond Year pursuant to the preceding paragraph shall be released from the pledge, security interest and lien under the Indenture for the security of the Bonds and any additional Parity Debt and may be applied by the Agency for any lawful purpose of the Agency, including but not limited to the payment of Subordinate Debt, or the payment of any amounts due and owing to the United States of America as rebate under the Indenture. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the Bonds and the payment in full of all other amounts payable under the Indenture and under any Supplemental Indenture or Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except as may be provided in the Indenture and in any Supplemental Indenture or Parity Debt Instrument.

Debt Service Fund; Deposit of Amounts by Trustee. There is established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee under the Indenture in trust. Moneys in the Special Fund, as provided in the Indenture, shall be transferred by the Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. On or before the third (3rd) Business Day preceding each Interest Payment Date, the Agency shall withdraw from the Special Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such Interest Payment Date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the next succeeding Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

(b) Principal Account. On or before the third (3rd) Business Day preceding September 1 in each year, the Agency shall withdraw from the Special Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Serial Bonds and Outstanding Term Bonds, including pursuant to mandatory sinking account redemption, on the next September 1.

No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next September 1 on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds and the Term Bonds, including by mandatory sinking account redemption, as the same shall become due and payable.

(c) Reserve Account. In the event that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there shall then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency shall be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Bonds then Outstanding, except that so long as the Agency is not in default under the Indenture, any amount in the Reserve Account in excess of the Reserve Requirement shall be withdrawn from the Reserve Account semiannually on or before the fifth (5th) Business Days preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date shall be withdrawn from the Reserve Account and shall be transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make all of the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on any Bonds the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency to be deposited in the Redevelopment Fund and used for the purposes thereof. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments under the Indenture in the event and to the extent required to make any payment when and as required under this subsection (c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the

Agency shall either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues. If the Qualified Reserve Account Credit Instrument is in the form of a letter of credit and the Agency has not renewed or replaced such letter of credit two weeks prior to its expiration or termination, the Trustee shall draw on such letter of credit in full and deposit the proceeds of such draw in the Reserve Account. If the Reserve Requirement is being maintained partially in cash and partially with a Qualified Reserve Account Credit Instrument, the cash shall be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making interest and principal payments required pursuant to the Indenture. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments of interest and principal required pursuant to the Indenture shall be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one particular issue of Bonds, a separate subaccount in the Reserve Account may be established for such issue, and the calculation of the Reserve Requirement with respect to all other Bonds shall exclude the debt service on such issue of Bonds. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one more separate sub-accounts which are established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee.

Notwithstanding any other provision of the Indenture, amounts on deposit in, or credited to, the Series 2013 Subaccount of the Reserve Account shall be available only to pay debt service on the Series 2013 Bonds for so long as the Series 2013 Bonds remain Outstanding, and any other additional series of Bonds as provided for in any Supplemental Indenture relating to the issuance of such additional series of Bonds. Amounts on deposit in, or credited to, the Series 2013 Subaccount are not be available to pay debt service on the Series 2006T Bonds or the Series 2009T Bonds. Amounts on deposit in the Reserve Account with respect to the Series 2006T Bonds and the Series 2009T Bonds are not available for the payment of debt service on the Series 2013 Bonds.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to the Indenture, the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Agency for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to the Indenture or a similar provision of a Supplemental Indenture. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on such Bonds to be redeemed pursuant to the Indenture or a similar provision of a Supplemental Indenture on the date set for such redemption. Interest due on such Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account. Notwithstanding the foregoing, at any time prior to giving notice of redemption of any such Bonds, the Trustee may, at the direction of the Agency, apply amounts

deposited or otherwise to be deposited in the Redemption Account to the purchase of such Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such Bonds, which is payable from the Interest Account) as shall be directed by the Agency.

Rights of Series 2006T Insurer; Consent or Approval of the Series 2006T Insurer

For so long as either the Series 2006T Bond Insurance Policy or the Series 2006T Qualified Reserve Account Credit Instrument is outstanding, notwithstanding anything to the contrary set forth in the Indenture, the Agency agrees as follows:

(a) Notices. Any notice to be given to any party under the Indenture shall also be given to the Series 2006T Insurer at MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Insured Portfolio Management, Fax: (914) 765-3164.

(b) Amendments or Supplements. Any amendment or supplement to the Indenture requiring the consent of the Owners of the Bonds shall also require the consent of the Series 2006T Insurer. The Agency agrees to send a copy of any amendment or supplement requiring the consent of the Series 2006T Insurer to S&P. The Agency shall give the Insurer notice of any amendment or supplement made to the Indenture which do not require consent of the Owners of the Series 2006T Bonds.

(c) Events of Default. Upon the occurrence of an Event of Default under the Indenture, the Series 2006T Insurer shall be deemed the Owner of all Series 2006T Bonds, and shall have all the rights as the Owner of the Series 2006T Bonds as are specified in the applicable provisions of the Indenture, provided that the Insurer shall not be in default under the Series 2006T Bond Insurance Policy or the Series 2006T Qualified Reserve Account Credit Instrument. Any acceleration of payments due on the Series 2006T Bonds shall be subject to the consent of the Series 2006T Insurer.

(d) Series 2006T Insurer as Third Party Beneficiary. The Series 2006T Insurer is a third-party beneficiary hereunder and shall have the power to enforce any right, remedy or claim conferred, given or granted under the Indenture.

(e) Subrogation. If principal and/or interest due on the Series 2006T Bonds shall be paid by the Series 2006T Insurer, the Series 2006T Bonds shall remain outstanding under the Indenture for all purposes, and shall not be deemed defeased or otherwise satisfied, or paid by the Agency, and the assignment and pledge of the Tax Revenues and other amounts pledged to the payment of debt service of the Series 2006T Bonds under the Indenture, and all covenants, agreements and other obligations of the Agency to the Owners of the Series 2006T Bonds shall continue to exist and shall run to the benefit of the Series 2006T Insurer, and the Series 2006T Insurer shall be subrogated to the rights of such Owners.

(f) Parity Debt. In connection with the issuance of Parity Debt, the Agency shall deliver to the Series 2006T Insurer a copy of the disclosure document, if any, circulated with respect to such Parity Debt.

(g) Investments. The Agency may not acquire, or cause the Trustee to acquire, the following Permitted Investments without the prior written consent of the Series 2006T Insurer:

(i) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAM," and a rating by Moody's of "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(ii) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;

(iii) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);

(iv) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the second highest rating categories assigned by such agencies; and

(v) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "A3" or better by Moody's, and "A-1+" by S&P.

Investment of Funds

Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments as directed by the Agency in the Written Request of the Agency filed with the Trustee, except that moneys in the Reserve Account shall not be invested in Permitted Investments having a maturity of more than five (5) years, unless any such Permitted Investment is described in clause (h) of the definition thereof. In the absence of any such Written Request of the Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (e) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out under the Indenture. The Trustee shall be entitled to rely conclusively upon the written instructions of the Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the above list which embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on an opinion of counsel or upon a representation of the provider of such Permitted Investment obtained at the Agency's expense. Moneys in the Special Fund and the Redevelopment Fund may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds, including, in the case of the Series 2006T Account of the Redevelopment Fund, Permitted Investments. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts held by

the Trustee under the Indenture shall be deposited in the Interest Account; *provided, however*, that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account only to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with this provision. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but shall account for each separately.

Issuance of Parity Debt

In addition to the the Series 2006T Bonds, the Series 2009T Bonds and the Series 2013 Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the the Series 2006T Bonds, the Series 2009T Bonds and the Series 2013 Bonds to finance and refinance redevelopment activities with respect to the Redevelopment Project in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

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

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

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

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

(e) The aggregate amount of the principal of and interest on the Senior Bonds, all Outstanding Bonds, other outstanding Parity Debt and Subordinate Debt

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

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

Issuance of Subordinate Debt

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

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

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

Certain Other Covenants of the Agency

Limitation on Additional Indebtedness; Against Encumbrances. The Agency covenants that, so long as the Bonds are Outstanding, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only (i) refunding bonds with respect to the Senior Bonds (and any refunding of such refunding bonds) which do not result in an increase in debt service under the Senior Bonds Resolution in any Bond Year (as defined in the Senior Bonds Resolution), (ii) the Bonds, (iii) any Parity Debt and (iv) any Subordinate Debt. The Agency will not otherwise encumber, pledge or place any charge or lien upon any of the Tax Revenues or other amounts pledged to the Bonds superior or equal to the pledge and lien created for the benefit of the Bonds.

Extension of Payment. The Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Payment of Claims. The Agency shall promptly pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City of Oakland, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Redevelopment Fund and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the any Insurer and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within two hundred and seventy (270) days after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency shall promptly furnish a copy of such financial statements to the Trustee and any Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver to the Trustee and any Insurer, on or about February 1 of each year, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project, or upon the revenues therefrom when the same shall become due. Nothing contained in the Indenture shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

Disposition of Property. The Agency will not participate in the detachment of land from the Project Area or the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of the Indenture) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, (i) aggregate more than ten percent (10%) of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues available to the Agency for application under the Indenture in the succeeding Fiscal Year to fall below 115% of Maximum Annual Debt Service, in either case unless any Insurer shall otherwise consent in writing.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and, in the case of amounts payable by the State, appropriate officials of the State. The Agency shall not undertake proceedings for amendment of the Redevelopment Plan if such amendment shall result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency shall first obtain a written opinion of an Independent Redevelopment Consultant that such payments will not adversely impair the Agency's ability to pay debt service on the Bonds. Additionally, the Agency shall not approve any amendment to the Redevelopment Plan which would, in and of itself, cause the amount of Tax Revenues available to the Agency for application under the Indenture in any succeeding Fiscal Year to fall below 115% of Maximum Annual Debt Service without the written consent of any Insurer.

Compliance With Law; Low and Moderate Income Housing Fund. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Law, including, without limitation, duly noticing and holding any public hearing required by either Section 33445 or Section 33679 of the Law prior to application of proceeds of the Bonds to any portion of the Redevelopment Project. Without limiting the generality of the foregoing, the Agency covenants that it shall deposit or cause to be deposited in the Low and Moderate Income Housing Fund established pursuant to Section 33334.3 of the Law, all amounts when, as and if required to be deposited therein pursuant to the Law.

Tax Covenants Relating to the Bonds. The Agency will assure that the proceeds of the Bonds are so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code. The Agency will not take any action or permit or suffer any action to be taken if the result of the same would be to

cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Agency shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default under the Indenture. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under the Indenture. Any notice required to be given pursuant to the provisions of the Continuing Disclosure Certificate shall also be given to any Insurer and to S&P and Moody's.

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

Additionally, the Agency hereby covenants that it will annually review, no later than December 1 of each year, the total amount of tax increment revenue remaining available to be received by the Agency under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), as well as future cumulative Annual Debt Service, estimated future fees of the Trustee, any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds. If, based on such review, the allocation of Tax Revenues to the Agency in any of the next three succeeding Fiscal Years will cause an amount equal to ninety (90%) of the amount remaining under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues) to fall below the remaining cumulative Annual Debt Service, estimated future fees of the Trustee and any other obligations of the Agency payable from Tax Revenues that are senior to the Bonds, and payments on obligations that are subordinate to the Bonds, the Agency shall either (i) defease Bonds or other Parity Debt by depositing an amount of Tax Revenues equal to the amount that is required to ensure continuing compliance with the preceding paragraph (by defeasing Bonds or other Parity Debt) in a defeasance escrow to be held by the Trustee and to be pledged solely to the payment of debt service on the Bonds or other Parity Debt, which escrow shall be invested in Defeasance Obligations and used for the payment of interest on and principal of and redemption premiums, if any, on the Bonds or other Parity Debt or (ii) adopt a plan approved by an Independent Redevelopment Consultant which demonstrates the Agency's continuing ability to pay debt service on the Bonds. In determining the amount to be deposited in escrow with the Trustee, the Agency shall not take into account any actual or projected interest earnings on the amounts so deposited.

The Agency shall annually no later than December 1 (commencing December 1, 2010), transmit to the Trustee, a Written Certificate of the Agency setting forth the calculation required above, including the remaining Annual Debt Service, estimated future fees of the Trustee, any

other obligations of the Agency payable from tax increment revenues, remaining tax increment under the Plan Limit (adjusted to reflect only those revenues that are Tax Revenues), the amount of tax increment revenues allocated to the Agency during the one year period covered by the statement, and the amount, if any, to be used or escrowed for use to pay interest on and principal of and redemption premiums, if any, on the Bonds. The Agency agrees that the information provided to the Trustee in such Written Certificate will be included in each annual report provided pursuant to the Continuing Disclosure Certificate.

Security for the Series 2013 Bonds. The Successor Agency acknowledges that, due to the passage of Dissolution Act, it will need to take certain actions to ensure that it collects sufficient Tax Revenues to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and in order to insure the payment of debt service on the Bonds, including the Series 2013 Bonds, on a timely basis. The Successor Agency covenants that it will take all such actions as required to make the deposits as and when required to be made into the Special Fund pursuant to the Indenture, and to make the timely payment of debt service on the Bonds. The Successor Agency further acknowledges that the provisions of the Dissolution Act require that it establish the Retirement Fund, into which all Tax Revenues are required to be deposited. The Successor Agency has heretofore established the Retirement Fund as required by Section 34170.5(a) of the Law, and covenants that it shall continue to hold and maintain the Retirement Fund so long as any of the Bonds are Outstanding. The Successor Agency hereby agrees that it will hold the Special Fund as an account within Retirement Fund and will continue to deposit all Tax Revenues, as and when received, into the Special Fund in order to ensure that all Tax Revenues are available for the payment of debt service on the Bonds on a timely basis.

The Successor Agency further covenants and agrees that it will duly and punctually pay or cause to be paid the principal of and interest on each of the Bonds, including the Series 2013 Bonds, on the date, at the place and in the manner provided in the Bonds, and that it will take all actions required under the Dissolution Act to include scheduled debt service on the Senior Bonds and on the Bonds, including the Series 2013 Bonds, all amounts required to be deposited in the Special Fund pursuant to and in accordance with the Indenture, as well as any amount required under the Indenture to replenish the Reserve Account, in Recognized Obligation Payment Schedules (as defined in the Dissolution Act) for each six-month period so as to enable the County Auditor-Controller to distribute from the Redevelopment Property Tax Trust Fund on each January 2 and June 1 all amounts required for the Successor Agency to pay principal of, and interest on, the Senior Bonds, and all amounts required to be deposited in the Special Fund (pursuant to and in accordance with Section 4.02 of the Indenture), which amounts will be used to pay debt service on the Bonds, including the Series 2013 Bonds. Specifically, the Successor Agency covenants that it will place on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board and State Department of Finance, all amounts required by the Indenture to be deposited and held by the Successor Agency in the Special Fund, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act.

The Successor Agency also covenants to calculate the amount of Tax Revenues received during each six-month period, as described above, to ensure that Tax Revenues are properly credited to and deposited in the Special Fund, as required by the Indenture.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to the occurrence of an Event of Default (as defined below under the heading "Events Of Default"), and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied covenants, duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Agency may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Agency has knowledge that the Trustee shall cease to be eligible in accordance with (e) below, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of written notice of such removal by the Agency to the Trustee, with a copy to any Insurer, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners, any Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency shall promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment to be furnished to any Insurer.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction at the expense of the Agency for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing, acknowledging and delivering to the Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee; but, nevertheless at the Written Request of the Agency or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the

Indenture. Upon request of the successor Trustee, the Agency shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in the Indenture, the Agency shall cause either the predecessor Trustee or the successor Trustee to mail a notice of the succession of such Trustee to the trusts under the Indenture to each rating agency which then has a current rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books.

(e) If an Event of Default occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall immediately give written notice thereof, by first-class mail to any Insurer and the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Agency to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee's knowledge thereof, give such notice to any Insurer, and the Trustee, with the consent of and the applicable Insurer or Insurers, may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

(f) The Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee shall be a financial institution having a trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (f), the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

No Trustee Liability or Duty. The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants and terms contained in the Indenture, or with respect to the investment of any moneys in any fund or account established, held or maintained by the Agency pursuant to the Indenture or otherwise.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

The Trustee may execute any of the trusts or powers under the Indenture or perform any duties under the Indenture either directly or by or through agents, attorneys or receivers and the Trustee shall not be responsible for any intentional misconduct or negligence on the part of any agent, attorney or receiver appointed with due care by it under the Indenture.

The Trustee shall have no responsibility, opinion, or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

Before taking any action under the Indenture at the request of the Owners or any Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners or any Insurer for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

Compensation and Indemnification. The Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under the Indenture and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel), agents and employees, incurred in and about the performance of its powers and duties under the Indenture. The Trustee shall have a first lien on the Tax Revenues and all funds and accounts held by the Trustee under the Indenture to secure the payment to the Trustee of all fees, costs and expenses, including reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Amendment of Indenture

The Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Owners, to the extent permitted by law, but only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers in the Indenture reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Agency, materially adversely affect the interests of the Owners; or

(c) to provide for the issuance of Parity Debt in accordance with the Indenture; or

(d) to amend any provision of the Indenture relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

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

Except as set forth in the preceding paragraph, the Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a

Supplemental Indenture which shall become binding when the written consent of each Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of each Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event shall any Supplemental Indenture modify any of the rights or obligations of any Insurer without its prior written consent.

Events of Default and Remedies

Events of Default. The following events constitute Events of Default under the Indenture:

(a) if default shall be made by the Agency in the due and punctual payment of the principal of or interest or redemption premium (if any) on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Agency in the observance of any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee or any Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and and any Insurer) of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an event of default if corrective action is instituted by the Agency (with the prior written consent of each Insurer) within such thirty (30) day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by each Insurer; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition by the Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

In determining whether an Event of Default has occurred under (a) above, no effect shall be given to payments made under under any municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default has occurred under the Indenture and is continuing, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and (b) subject to the provisions of the Indenture, exercise any other remedies available to the Trustee and the Bond Owners in law or at equity.

Immediately upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the each Insurer and to the Agency by telephone promptly confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall, with the written consent of a majority in aggregate principal amount of the Owners of the Bonds, deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall promptly give written notice of the foregoing to each Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as described above, and all sums thereafter received by the Trustee under the Indenture, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in the Indenture, including reasonable compensation to its agents, attorneys (including the

allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, as applicable, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such principal and interest without preference or priority, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however*, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Owner's Right to Sue. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Agency, the Trustee and any Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner in the Indenture provided, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of all Owners of the Outstanding Bonds.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be

calculated on the basis of the principal amount of the Outstanding Bonds, determined as of the next succeeding Interest Payment Date.

Defeasance of Bonds

The Agency may pay and discharge the indebtedness on any Bonds in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable;

(ii) by irrevocably depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to the Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, interest and redemption premiums, as applicable, or;

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, interest and redemption premiums) at or before maturity;

and, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in the Indenture and all other obligations of the Trustee and the Agency under the Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a) the covenants of the Agency under the Indenture with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds under the Indenture, (c) the obligations of the Agency under the Indenture and (d) the obligation of the Agency to pay or cause to be paid to the Owners (or the any Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, any Insurer all fees, expenses and costs of the Trustee and any Insurer. In the event the Agency shall, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee shall be paid over to the Agency.

If a forward supply contract is employed in connection with the defeasance of any of the Bonds, (i) the verification report relating to the defeasance of such Bonds shall expressly state that the adequacy of the escrow to accomplish the defeasance relies solely on the initial

escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement shall be controlling.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due of the Bonds is paid by any Insurer pursuant to its municipal bond or financial guaranty insurance policy, such Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Agency, and the assignment and pledge of the Tax Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Agency to the Bond Owners so paid shall continue to exist and shall run to the benefit of any Insurer, and any Insurer shall be subrogated to the rights of such Bond Owners, as applicable.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

October __, 2013

Oakland Redevelopment Successor Agency
One Frank Ogawa Plaza
Oakland, California 94612

OPINION: \$102,960,000 Oakland Redevelopment Successor Agency Central District
Redevelopment Project Subordinated Tax Allocation Bonds, Series 2013

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Oakland Redevelopment Successor Agency (the "Agency") of its \$102,960,000 principal amount Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2013 (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 June 4, 2013, a resolution of the Oversight Board for the Agency adopted on June 17, 2013, and an Indenture of Trust dated as of January 1, 2003, between the former Redevelopment Agency of the City of Oakland (the "Former Agency") and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 2005, a Second Supplemental Indenture of Trust dated as of November 1, 2006, and a Third Supplemental Indenture of Trust dated as of May 1, 2009, each between the Former Agency and the Trustee, and a Fourth Supplemental Indenture of Trust dated as of September 1, 2013 between the Agency and the Trustee (the "Fourth Supplemental Indenture" and, collectively, the "Indenture"). 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 and the Former Agency contained in the Indenture and in certified proceedings and other certifications of public officials furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is validly existing as a public entity, with the power to execute and deliver the Fourth Supplemental Indenture, perform the agreements on its part contained therein and in the Indenture, and issue the Bonds.

2. The Fourth Supplemental Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency. The Indenture also 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 2006T Bonds, the Series 2009T Bonds and any other Parity Debt (as such terms are defined in the Indenture), subject to the prior lien granted to the Senior Bonds under the Senior Bonds Resolution (as such terms are defined in the Indenture).

4. The Bonds have been duly authorized, executed and delivered by the Agency and are valid and binding special obligations of the Agency payable, on a parity with the Series 2006T Bonds, the Series 2009T Bonds and any other Parity Debt, solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Agency comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this “**Disclosure Certificate**”) is executed and delivered by, as of October 3, 2013, the OAKLAND REDEVELOPMENT SUCCESSOR AGENCY (the “**Agency**”), in connection with the issuance of \$102,960,000 Oakland Redevelopment Successor Agency Central District Redevelopment Project, Subordinated Tax Allocation Refunding Bonds, Series 2013 (the “**Bonds**”). The Bonds are being issued pursuant to that certain Indenture of Trust, dated as of January 1, 2003, between the Redevelopment Agency of the City of Oakland and BNY Western Trust Company, as succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), as supplemented to the date hereof including as supplemented by that certain Fourth Supplemental Indenture of Trust, dated as of September 1, 2013, between the Agency and the Trustee (collectively, the “**Indenture**”).

The Agency covenants and agrees as follows:

Section 1. Purpose of This Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency, under the Rule (as hereinafter defined) in connection with the Series 2013 Bonds for the benefit of the Owners and Beneficial Owners of the Series 2013 Bonds and in order to assist the Participating Underwriters (as hereinafter defined) in complying with the Rule but shall not be deemed to create any monetary liability on the part of the Agency to any other persons, including Owners or Beneficial Owners of the Bonds based on the Rule. The sole remedy in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance of any act required hereunder.

Section 2. Definitions. The definitions set forth in the Indenture shall apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Agency pursuant to, and as described in, Section 3 and 4 of this Disclosure Certificate.

“Annual Report Date” shall mean the date that is nine months after the end of the Agency’s fiscal year (currently March 31 based on the Agency’s fiscal year end of June 30).

“Beneficial Owner” or “beneficial owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“Bond holders” or “Owners” shall mean, while the Bonds are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Bond for federal income tax purposes.

“Dissemination Agent” shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency a written acceptance of such designation.

“Dissolution Act” shall mean the primary provisions enacted by AB 1X 26 relating to the dissolution and wind down of former redevelopment agency affairs are Parts 1.8 (commencing

with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484, enacted as Chapter 26, Statutes of 2012 (as amended from time to time).

“Listed Events” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Bonds, dated September 18, 2013.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

“SEC” shall mean the Securities and Exchange Commission.

“State” shall mean the State of California.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing nine months after the end of the Agency’s 2012-2013 fiscal year, with the report for the 2012-2013 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Agency) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Agency to determine if the Agency is in compliance with the requirement set forth herein 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 postaudit financial transactions and records of the Agency for the fiscal year 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(f).

(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 hereto as Exhibit A.

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) A postaudit of the financial transactions and records of the Agency for the prior fiscal year to be made by an independent certified public account appointed by the Agency, 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, and as further modified according to applicable State law. If the Agency's postaudit is not available by the Annual Report Date, the Annual Report shall contain an unaudited statement of financial transactions and records of the Agency in the format required by Section 34771(n) of the Dissolution Act and the postaudit shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to 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 charts in the Official Statement for the Bonds:

1. Table 1 – Summary Plan Data;
2. Table 2 – Property Tax Values;
3. Table 3 – Tax Revenues Received;
4. Table 4 – 10 Largest Local Taxpayers; and
5. The information required by Section 5.18 of Indenture, as amended, beginning with the Annual Report with respect to the 2012-13 fiscal year.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Agency shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Agency or related public entities, which are available to the public on the EMMA web site of the MSRB or filed with the Securities and Exchange Commission. The Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5), material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
2. Modifications to rights of Bond holders;
3. Optional, unscheduled or contingent Bond calls;

4. Release, substitution, or sale of property securing repayment of the Bonds;
5. Non-payment related defaults;
6. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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; or
7. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The Agency shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a), as provided in Section 3(b).

(d) Whenever the Agency obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the Agency shall determine if such event would be material under applicable federal securities laws.

(e) If the Agency learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the Agency shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format accompanied by such identifying information, all as prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The obligations of the Agency under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or if less than all the Bonds are defeased, with respect to those 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(f).

Section 7. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out the obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Agency pursuant to this Disclosure Certificate. If at any time there is not any other designated Dissemination Agent, the Agency shall be the Dissemination Agent. The initial Dissemination Agent shall be the Agency.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 4, 5(a), (b), (d) or (f), or 8(a), 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;

(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 a majority in aggregate principal amount 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 the nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds. The Agency also may amend this Disclosure Certificate without approval by the Owners to the extent permitted by rule, order or other official pronouncement of the SEC.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Agency shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Agency. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. 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 Annual Report or future notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner or any Participating Underwriter 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 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 Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Prior Undertakings. The Agency hereby certifies that during the previous five years, it has complied in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Participating Underwriters and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity (except the right of the Dissemination Agent or any Owner or Beneficial Owner to enforce the provisions of the Disclosure Certificate on behalf of the Owners). This Disclosure Certificate is not intended to create any monetary rights on behalf of any person based upon the Rule.

Section 13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Agency shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof, and the Owners of the Bonds shall retain all the benefits afforded to them hereunder. The Agency hereby declares that it would have executed and delivered this Disclosure Certificate and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 14. Governing Law. The laws of the State shall govern this Disclosure Certificate, the interpretation thereof and any right or liability arising hereunder. Any action or proceeding to enforce or interpret any provision of this Disclosure Certificate shall be brought, commenced or prosecuted in any court of the State located in Alameda County, California.

Section 15. Effective Date. This Disclosure Certificate shall be effective on and as of the date hereof.

Section 16. Notices. Any notice or communication to the Agency relating to this Disclosure Certificate may be given as follows:

Oakland Redevelopment Successor Agency
c/o Finance and Management Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Telephone: (510) 238-3201
Fax: (510) 238-2137

The Agency may, by written notice to the other parties acting hereunder, designate a different address and/or telephone number(s) to which subsequent notices or communications should be sent.

IN WITNESS WHEREOF, this Disclosure Certificate is given by the Agency as of the date set forth above.

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

By: _____
Agency Administrator

EXHIBIT A

**NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: Oakland Redevelopment Successor Agency
Name of Bond Issue: Oakland Redevelopment Successor Agency
Central District Redevelopment Project
Subordinated Tax Allocation Refunding Bonds, Series 2013
Date of Delivery: October 3, 2013

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City"), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of October 3, 2013, relating to the Bonds. The City anticipates that the Annual Report will be filed by _____.

Dated: _____

OAKLAND REDEVELOPMENT SUCCESSOR AGENCY

By: _____
Agency Administrator

APPENDIX G

**STATE DEPARTMENT OF FINANCE DETERMINATION LETTER
APPROVING SERIES 2013 BONDS**

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REVISED

August 28, 2013

Ms. Sarah Schlenk, Agency Administrative Manager
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612

Dear Ms. Schlenk:

Subject: Approval of Oversight Board Action

This letter supersedes our August 23, 2013 Oversight Board (OB) Resolution 2013-11 determination letter. The City of Oakland Successor Agency (Agency) notified the California Department of Finance (Finance) of its June 17, 2013 Oversight Board (OB) resolution on June 20, 2013. Pursuant to Health and Safety Code (HSC) section 34179 (h), Finance has completed its review of the OB action.

Based on our review and application of the law, OB Resolution 2013-11, approving the issuance of 2013 Oakland Redevelopment Successor Agency Central District Redevelopment Project Subordinated Tax Allocation Refunding Bonds, is approved. This approval is based on the fact that the OB resolution, along with the Agency's accompanying Resolution 2013-016, limits the refunding for the issuance of bonds to the conditions outlined in HSC section 34177.5 (a) (1).

Following the issuance of the bonds, the Agency's debt service payment obligations for the refunding bonds should be placed on a future Recognized Obligation Payment Schedule for Finance's review.

Please direct inquiries to Beliz Chappuie, Supervisor, or Todd Vermillion, Lead Analyst at (916) 445-1546.

Sincerely,

STEVE SZALAY
Local Government Consultant

cc: Mr. Patrick Lane, Redevelopment Program Manager, City of Oakland
Ms. Carol S. Orth, Tax Analysis, Division Chief, County of Alameda

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APPENDIX H

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix H concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry only system has been obtained from DTC. The Agency takes no responsibility for the completeness or accuracy thereof. Accordingly, the Direct Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix H with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. The Agency cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below) (a) payments of interest, principal or premium, if any, with respect to the Series 2013 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2013 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2013 Bonds, or that they will so do on a timely basis, or that DTC, Direct Participants or 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 Direct Participants are on file with DTC.

Neither the Agency nor the Trustee will have any responsibility or obligations to the DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Series 2013 Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Indenture; or (4) any consent given or other action taken by DTC as registered owner of the Series 2013 Bonds.

DTC will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 a Standard & Poor’s rating of AA+. 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. The information set forth on such web site is not incorporated by reference.

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2013 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2013 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2013 Bonds 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 Series 2013 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and premiums, if any, and purchase prices, if any, on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying 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, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Series 2013 Bonds, the provisions of the Indenture relating to place of payment, transfer and exchange of Series 2013 Bonds, regulations with respect to exchanges and transfers, bond register, bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of the Series 2013 Bonds will govern the payment, registration, transfer, exchange and replacement of the Series 2013 Bonds. Interested persons should contact the Agency or the Trustee for further information regarding such provisions of the Indenture.

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APPENDIX I

CERTAIN INFORMATION REGARDING INSURERS

National Public Finance Guarantee Corporation

The following information has been furnished by National Public Finance Guarantee Corporation (“National”) for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Reserve Policy (as defined below) and National set forth under the heading “INTRODUCTION – Reserve Account” and in this Appendix I. Additionally, National makes no representation regarding the Series 2013 Bonds or the advisability of investing in the Series 2013 Bonds.

National Public Finance Guaranty Corporation

National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of 47 states, the District of Columbia and the Commonwealth of Puerto Rico.

The principal executive offices of National are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 765-3333.

The Reserve Policy

On January 9, 2003, Financial Guaranty Insurance Company (“FGIC”) issued its Municipal Bond Debt Service Reserve Fund Policy numbered 03010058 (the “Reserve Policy”) in connection with the Series 2003 Bonds, which Reserve Policy remains in full force and effect.

The Reserve Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Series 2013 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set for in the Reserve Policy. The Reserve Policy requires that FGIC will make such payments to the paying agent (the “Paying Agent”) for the Series 2013 Bonds on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which value (if applicable) and interest is due or on the business day next following the day on which FGIC shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Paying Agent of the nonpayment of such amount by the Issuer. The term “nonpayment” in respect of the Series 2013 Bonds includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Series 2013 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable. The Reserve Policy covers failure to pay principal or accreted value (if applicable) of the Series 2013 Bonds on their respective state maturity dates, or dates on which the same shall have been called for mandatory sinking fund

redemption, and not on any other date on which the Series 2013 Bonds may have been accelerated, and covers the failure to pay an installment of interest on the state date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Series 2013 Bonds as of the issuance date of the Reserve Policy or the date on which no Series 2013 Bonds are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Policy, FGIC requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Series 2013 Bonds or (B) remedies which would adversely affect holders in the event that the Issuer fails to reimburse FGIC for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to FGIC’s consent. The specific rights, if any, granted to FGIC in connection with its issuance of the Reserve Policy may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Issuer is required to provide additional or substitute credit enhancement, and related matters.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specific in Article 76 of the New York Insurance Law.

Pursuant to a rehabilitation proceeding through the New York State Department of Financial Services, a Plan of Rehabilitation for FGIC, which includes a Novation Agreement between FGIC and National, became effective as of August 19, 2013 (the “Effective Date”). Accordingly, as of the Effective Date, all Covered Policies (as defined in the Novation Agreement), which includes the Reserve Policy have been novated to National, and therefore National is now the primary insurer under the Reserve Policy.

Regulation

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

Financial Strength Ratings of National

National’s current financial strength ratings from the major rating agencies are summarized below:

Agency	Ratings	Outlook
S&P	A	Stable
Moody’s	Baa1	Positive

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of the creditworthiness of National and its ability to

pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2013 Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2013 Bonds. National does not guaranty the market price of the Series 2013 Bonds nor does it guaranty that the ratings on the Series 2013 Bonds will not be revised or withdrawn.

Recent Litigation

In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. Notably, on March 4, 2013, the New York State Supreme Court, New York County (Justice Kapnick) issued a decision dismissing the Article 78 Proceeding entitled ABN AMRO Bank N.V. et al. v. Eric Dinallo, in his capacity as Superintendent of the New York State Insurance Department, the New York State Insurance Department, MBIA Inc. et al., which was originally commenced on June 15, 2009 by a group of eighteen domestic and international financial institutions. In its decision, the court ruled that approval of MBIA's February 19, 2009 Transformation by the New York State Insurance Department was neither arbitrary nor capricious nor in violation of the New York Insurance Law. For additional information concerning this litigation and other material litigation involving National and MBIA Inc., including but not limited to certain actions relating to the Transactions entitled ABN AMRO Bank N.V. et al. v. MBIA Inc. et al., and Barclays Bank PLC., et al. v. James Wrynn, in his capacity as Superintendent of the New York State Insurance Department, the New York State Insurance Department, MBIA Inc. et al., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012, which is hereby incorporated by reference into this appendix and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

National Financial Information

Based upon statutory financials, as of December 31, 2012, National had cash and admitted assets of \$5.7 billion (unaudited), total liabilities of \$3.7 billion (unaudited), and total surplus of \$2.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2012, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2012, which are hereby incorporated by reference into this appendix and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

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

MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012. MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2013 and MBIA's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2013 Bonds offered hereby shall be deemed to be incorporated by reference in this appendix and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this appendix, shall be deemed to be modified or superseded for purposes of this appendix to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this appendix.

MBIA Inc. files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.'s SEC filings (including (1) MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

Ambac Assurance Corporation

Ambac Assurance Corporation (“**Ambac**”) is a guarantor of public finance and structured finance obligations, and is the principal operating subsidiary of Ambac Financial Group, Inc. (“**Ambac Financial Group**”).

On November 8, 2010, Ambac Financial Group filed for a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (“**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of New York (“**Bankruptcy Court**”). The Bankruptcy Court entered an order confirming Ambac Financial Group’s plan of reorganization on March 14, 2012. On May 1, 2013, Ambac Financial Group announced the effectiveness of its Second Modified Fifth Amended Plan of Reorganization (the “Plan”), which marked the completion of its financial restructuring and the emergence from Chapter 11 bankruptcy protection. Under the terms of the Plan, all allowed claims of Ambac Financial Group’s former creditors were discharged and such creditors received new common stock, and in certain instances, new warrants were issued by Ambac Financial Group. All common stock of the Company in existence prior to Ambac Financial Group’s emergence from bankruptcy were cancelled. Holders of such existing stock have not, and will not, receive distributions under the Plan.

During the second quarter of 2013, Ambac generated a statutory net loss of \$139.8 million, which loss was primarily attributable to a \$350 million expense (no impact on Ambac Assurance policyholder surplus) related to the issuance of junior surplus notes by the Segregated Account to Ambac (as per a mediation agreement dated September 21, 2011, between Ambac, Ambac Assurance and the Segregated Account (among others), and net loss and loss expenses of \$95.3 million. As of June 30, 2013, Ambac reported policyholder surplus of \$393.7 million, up from \$159.5 million at March 31, 2013. Ambac’s claims-paying resources amounted to approximately \$5.8 billion as of June 30, 2013, up approximately \$0.2 billion from \$5.6 billion at March 31, 2013.

This information, which the Agency believes to be reliable, was obtained from press releases and materials found on Ambac’s website at www.ambac.com. Neither the Agency nor the Underwriters have independently verified this information and take no responsibility for the accuracy thereof. The information contained on Ambac’s website is not incorporated herein.

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