

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, Bond Counsel, subject, however to certain qualifications, under existing law, the interest on the Series 2006C-TE 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, 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, interest on the Series 2006C-TE Bonds and the Series 2006C-T Bonds is exempt from California personal income taxes. Interest on the Series 2006C-T Bonds is subject to all applicable federal income taxation. See "TAX MATTERS" herein.

\$4,945,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
BROADWAY/MACARTHUR/ SAN PABLO
REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-TE

\$12,325,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
BROADWAY/MACARTHUR/ SAN PABLO
REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-T (FEDERALLY TAXABLE)

Dated: Date of Delivery

Due: September 1, as shown on inside cover page

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

The \$4,945,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the "Series 2006C-TE Bonds") and the \$12,325,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the "Series 2006C-T Bonds" and, collectively, with the Series 2006C-TE Bonds, the "Series 2006C Bonds") are being issued by the Redevelopment Agency of the City of Oakland (the "Agency") to: (i) finance certain redevelopment activities within or to the benefit of the Agency's Broadway/MacArthur/San Pablo Redevelopment Project Area (the "Project Area") and (ii) pay the costs associated with the issuance of the Series 2006C Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2006C Bonds are issued pursuant to an Indenture of Trust, dated as of October 1, 2006 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Series 2006C Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series 2006C 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 2006C Bonds. Principal of interest on and redemption premiums, if any, on the Series 2006C Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series 2006C Bonds, which in turn is obligated to remit such principal, interest and redemption premiums, if any, to DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2006C Bonds. For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2006C Bonds, all notices, including any notice of redemption, will be mailed only to Cede & Co. See APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES."

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

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

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

The Series 2006C Bonds are payable from and secured by Tax Revenues (as defined herein), consisting primarily of tax increment derived from property in the Project Area and allocated to the Agency pursuant to the Redevelopment Law. No funds or properties of the Agency, other than the Tax Revenues and certain other amounts held under the Indenture, are pledged to secure the Series 2006C Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS."

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

Ambac

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

Simultaneously with the issuance of the Series 2006C Bonds, the Agency will issue its Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and Series 2006A-T (collectively, the "Series 2006A Bonds") and its Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and Series 2006B-T (collectively, the "Series 2006B Bonds"). The Series 2006A Bonds and the Series 2006B Bonds are payable from and secured by tax revenues, consisting primarily of tax increment derived from property in the Central City East Redevelopment Project Area with respect to the Series 2006A Bonds and property in the Coliseum Area Redevelopment Project Area with respect to the Series 2006B Bonds and allocated to the Agency pursuant to the Redevelopment Law. TAX INCREMENT REVENUES GENERATED FROM THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA AND THE COLISEUM AREA REDEVELOPMENT PROJECT AREA ARE NOT AVAILABLE TO PAY DEBT SERVICE ON THE SERIES 2006C BONDS.

The Series 2006C Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the Agency by the City Attorney of the City of Oakland in his capacity as Agency Counsel, for the Authority by the City Attorney of the City of Oakland in his capacity as Authority Counsel, and for the Underwriters by Nixon Peabody LLP, San Francisco, California. Kelling, Northcross & Nobriga, a division of Zions First National Bank, Oakland, California, is serving as financial advisor to the Agency. It is anticipated that the Series 2006C-TE Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York and the Series 2006C-T Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York or through the Euroclear System and Clearstream, in Luxembourg, Europe on or about October 12, 2006.

MORGAN STANLEY

STONE & YOUNGBERG LLC

This Official Statement is dated September 28, 2006.

MATURITY SCHEDULE

\$4,945,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-TE

\$4,945,000 5.00% Term Bonds due September 1, 2036, Yield 4.45% C, CUSIP† No. 672321JK3

\$12,325,000
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-T (FEDERALLY TAXABLE)

\$3,160,000 5.283% Term Bonds due September 1, 2016, @ 100%
CUSIP† No. 672321JL1, ISIN†† No. US672321JL12

\$9,165,000 5.587% Term Bonds due September 1, 2032, @ 100%
CUSIP† No. 672321JM9, ISIN†† No. US672321JM94

C Priced to 9/1/2016 call date at 100%.

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

†† ISIN numbers are provided for convenience of reference only. The Agency and the Underwriters do not assume responsibility for the accuracy of such numbers.

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 2006C Bonds by the Agency or the Underwriters, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Agency or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2006C 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 2006C 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 shall under any circumstances create any implication that there has been no change in the affairs of the Agency since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2006C Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

The Series 2006C 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 2006C Bonds have not been registered or qualified under the securities laws of any state.

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

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

AGENCY BOARD AND CITY COUNCIL

Ignacio De La Fuente (District 5)
Agency Chair and President of the City Council

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

Jane Brunner (District 1)
Agency Member and Councilmember

Patricia Kernighan (District 2)
Agency Member and Councilmember

Nancy Nadel (District 3)
Agency Member and Councilmember

Desley Brooks (District 6)
Agency Member and Councilmember

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

Henry Chang, Jr. (At-Large)
Agency Member and Councilmember

AGENCY AND CITY STAFF

Edmund G. Brown, Jr., *Agency Chief Executive Officer and Mayor*

Deborah Edgerly, *Agency Administrator and City Administrator*

Cheryl A.P. Thompson, *Assistant City Administrator*

LaTonda Simmons, *Agency Secretary and City Clerk*

Roland E. Smith, *City Auditor*

John Russo, *Agency Counsel and City Attorney*

William E. Noland, *Agency Treasurer and Director, Finance and Management Agency*

Daniel Vanderpriem, *Co-Director, Community and Economic Development Agency*

Claudia Cappio, *Co-Director, Community and Economic Development Agency*

Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

Wells Fargo Bank, National Association
San Francisco, California
Trustee

HdL Coren & Cone
Diamond Bar, California
Fiscal Consultant

Nixon Peabody LLP
San Francisco, California
Underwriters' Counsel

Kelling, Northcross & Nobriga,
a division of Zions First National Bank
Oakland, California
Financial Advisor

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

Alexis S. M. Chiu, Esq.
San Francisco, California
Special Counsel

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
General	1
Purpose	2
The Agency	2
The City	2
The Project Area.....	2
The Series 2006C Bonds	2
Security for the Series 2006C Bonds.....	3
Bond Insurance.....	4
Certain Risk Factors	4
Continuing Disclosure.....	4
Additional Information.....	5
PLAN OF FINANCE	5
ESTIMATED SOURCES AND USES OF FUNDS.....	5
THE SERIES 2006C BONDS.....	6
Description	6
Redemption	7
DEBT SERVICE COVERAGE PROJECTIONS	12
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS.....	13
Tax Allocation Financing.....	13
Allocation of Taxes	13
Pass-Through Payments	14
Tax Revenues	14
No Outstanding Parity Debt	15
Reserve Account.....	15
Additional Parity and Subordinate Debt.....	17
BOND INSURANCE AND RESERVE SURETY.....	18
Bond Insurance Policy.....	18
Reserve Account Surety Bond.....	20
Ambac Assurance Corporation.....	21
Available Information	21
Incorporation of Certain Documents by Reference.....	22
TAX ALLOCATION FINANCING	22
Introduction	22
Property Tax Rate and Appropriation Limitations	23
Unitary Property	24
Property Tax Collection Procedures.....	24
Certification of Agency Indebtedness	25
Limitations on Indebtedness, Receipt of Tax Increment and Power of Eminent Domain	25
Low and Moderate Income Housing Fund	26
Assembly Bill 1290.....	26

CERTAIN RISKS TO BONDHOLDERS 27

- Accuracy of Assumptions..... 27
- Reduction of Tax Revenues..... 27
- Reductions in Unitary Values..... 28
- Appeals to Assessed Values 28
- Hazardous Substances 29
- Reduction in Inflation Rate 29
- Delinquencies 29
- Investment Funds..... 29
- Bankruptcy and Foreclosure..... 30
- Impact of State Budgets..... 30
- Seismic Factors..... 31
- Loss of Tax Exemption 31
- Risk of Tax Audit 31
- Secondary Market..... 32
- Parity Obligations..... 32
- Series 2006C Bonds Are Limited Obligations 32
- Limited Recourse on Default..... 32

LIMITATIONS ON TAX REVENUES..... 32

- Introduction 32
- Property Tax Rate Limitations-Article XIII A 33
- Property Tax Collection Procedures..... 34
- Appropriation Limitation – Article XIII B 35
- SB 2557 35
- Proposition 218..... 36
- Taxation of Unitary Property..... 36
- Limitation of Tax Revenues From Certain Increased Tax Rates 36
- Redevelopment Plan Limitations 37
- Statement of Indebtedness 37
- Housing Set-Aside..... 38
- Future Initiatives..... 38

THE PROJECT AREA..... 38

- General 38
- Action Areas..... 40
- Other Projects and Special Programs 41
- Recent Developments in the Project Area 41
- Controls, Land Use and Building Restrictions 42
- Redevelopment Plan Limitations 42
- Historical and Current Tax Revenues..... 42
- Principal Taxpayers 45
- Land Use..... 46
- Pending Appeals for Reduction of Assessed Valuation 46
- Tax Rates 47
- Allocation of Taxes 48
- Teeter Plan..... 49

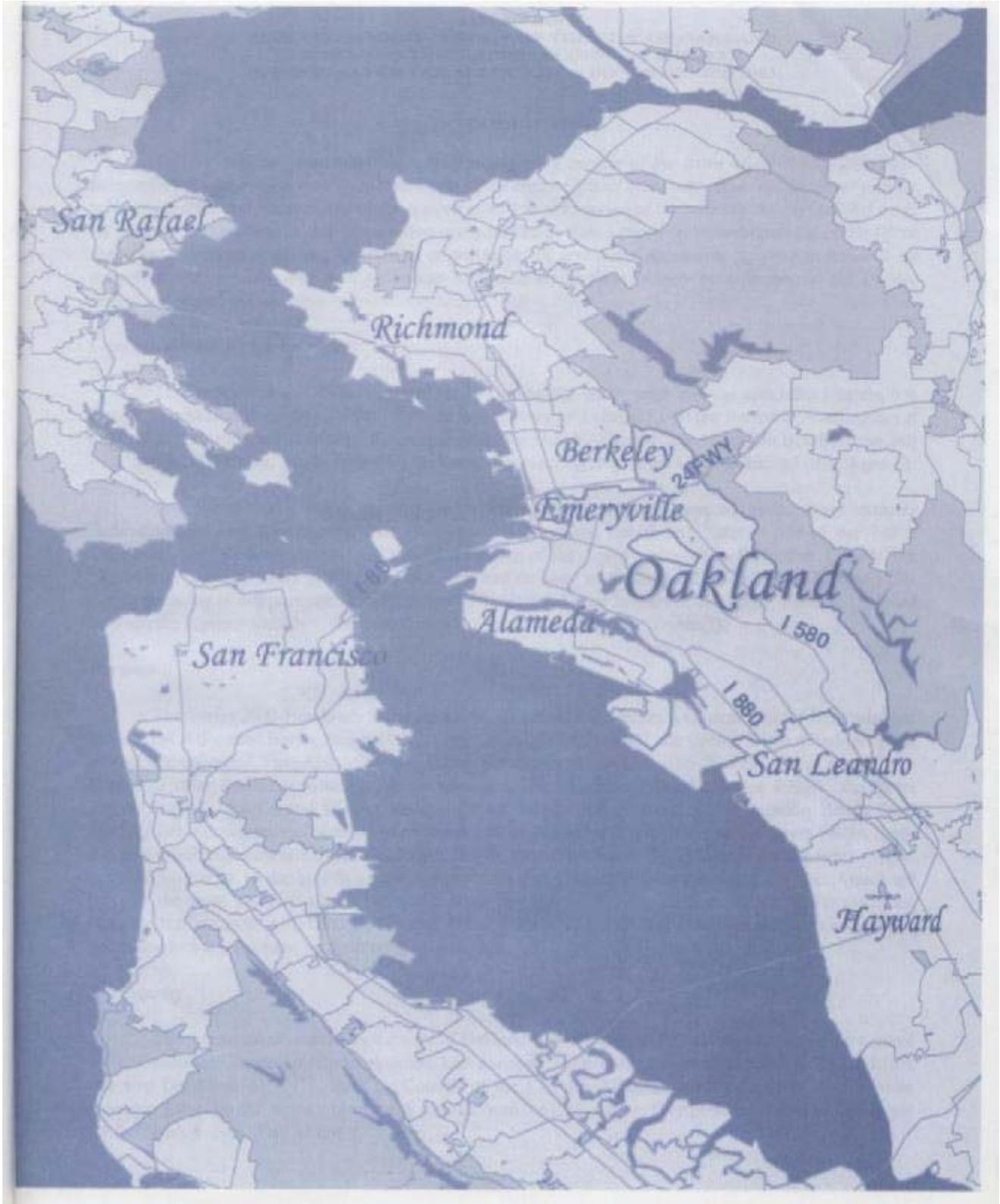
THE AGENCY..... 49

- Members, Authority and Personnel..... 49

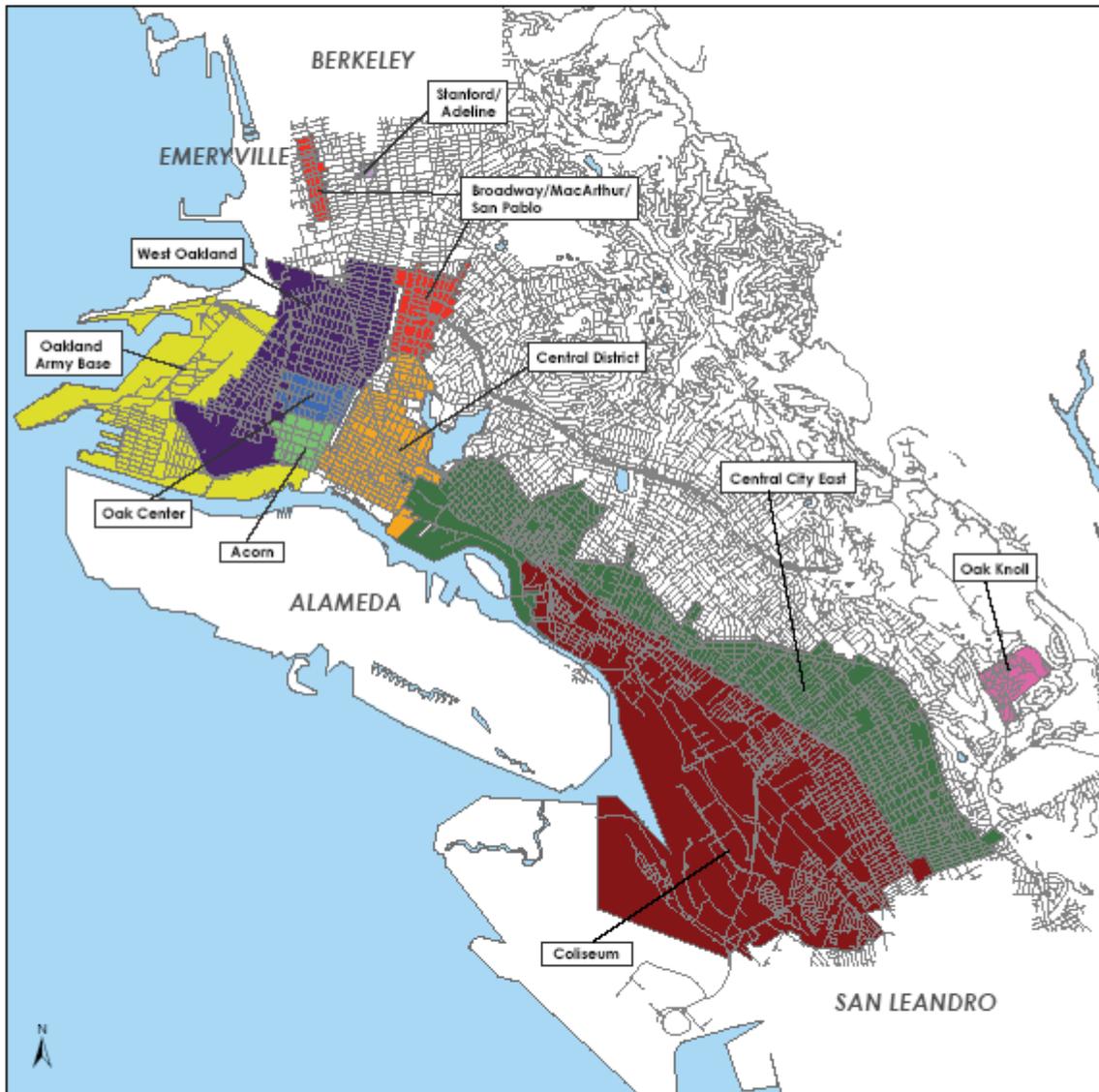
	<u>Page</u>
Powers	50
Agency Finances	51
TAX MATTERS	51
Series 2006C-TE Bonds	51
Series 2006C-T Bonds.....	53
OTHER TAX MATTERS RELATED TO THE SERIES 2006C-T BONDS	54
Backup Withholding.....	54
ERISA	55
CERTAIN LEGAL MATTERS	55
THE AUTHORITY	55
ABSENCE OF MATERIAL LITIGATION	55
FINANCIAL ADVISOR.....	56
CONTINUING DISCLOSURE	56
UNDERWRITING	56
RATINGS.....	57
MISCELLANEOUS.....	57

APPENDICES

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



City of Oakland
- Redevelopment Areas -



City of Oakland
Community and Economic Development Agency - Redevelopment Division
<http://www.business2oakland.com/main/redevelopment.htm>
Last Modified 5/2005

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\$4,945,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
CENTRAL CITY EAST
REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-TE

\$12,325,000
REDEVELOPMENT AGENCY OF THE
CITY OF OAKLAND
CENTRAL CITY EAST
REDEVELOPMENT PROJECT
TAX ALLOCATION BONDS
SERIES 2006C-T
(FEDERALLY TAXABLE)

INTRODUCTION

This introduction contains only a brief summary of certain of the terms of the Series 2006C 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 2006C 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 \$4,945,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the “Series 2006C-TE Bonds”) and the \$12,325,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the “Series 2006C-T Bonds” and, collectively, with the Series 2006C-TE Bonds, the “Series 2006C Bonds”) to be issued by the Redevelopment Agency of the City of Oakland (the “Agency”).

The Series 2006C Bonds are issued pursuant to the authority granted under the Community Redevelopment Law (constituting Part 1 of Division 24 of the Health and Safety Code of the State of California) (the “Redevelopment Law”) and a resolution of the Agency adopted on September 19, 2006 (the “Resolution”) which authorized the issuance, sale and delivery of the Series 2006C Bonds. The Series 2006C Bonds are being issued pursuant to an Indenture of Trust, dated as of October 1, 2006 (the “Indenture”), by and between the Agency and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

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

Simultaneously with the issuance of the Series 2006C Bonds, the Agency will issue its Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and Series 2006A-T (collectively, the “Series 2006A Bonds”) and its Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and Series 2006B-T (collectively, the “Series 2006B Bonds”). The Series 2006A Bonds and the Series 2006B Bonds are payable from and secured by tax revenues, consisting primarily of tax increment derived from property in the Central City East Redevelopment Project Area with respect to the Series 2006A Bonds and property in the Coliseum Area Redevelopment Project Area

with respect to the Series 2006B Bonds and allocated to the Agency pursuant to the Redevelopment Law. TAX INCREMENT REVENUES GENERATED FROM THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA AND THE COLISEUM AREA REDEVELOPMENT PROJECT AREA ARE NOT AVAILABLE TO PAY DEBT SERVICE ON THE SERIES 2006C BONDS.

Purpose

The Series 2006C Bonds are being issued to (i) finance certain redevelopment activities within or to the benefit of the Agency's Broadway/MacArthur/San Pablo Redevelopment Project Area (the "Project Area") and (ii) pay the costs associated with the issuance of the Series 2006C Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS." The Series 2006C Bonds will mature in the years and amounts set forth on the inside cover page.

The Agency

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

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

The City

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

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

The Project Area

The Project Area consists of two distinct areas, the Broadway/MacArthur sub-area and the San Pablo sub-area, in northern Oakland and is comprised of 676 acres. See "THE PROJECT AREA."

The Series 2006C Bonds

The Series 2006C Bonds will be dated the date of their initial issuance and delivery, will be issued in fully registered, book-entry form in denominations of \$5,000 or any integral multiple thereof and are redeemable as set forth in the Indenture and summarized herein. See "THE SERIES 2006C BONDS."

The Series 2006C 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 2006C Bonds. Individual purchases of the Series 2006C Bonds will be made in book-entry form only. Clearstream and the Euroclear System may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories which in turn are to hold such positions in customers' securities accounts in the depositories' names on the books of DTC.

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

It is expected that the Series 2006C Bonds will be available for delivery through the facilities of DTC in New York, New York on or about October 12, 2006.

Each Series 2006C Bond will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year (each, an “Interest Payment Date” with respect to the Series 2006C Bonds), commencing March 1, 2007, and will mature on the dates and in the amounts set forth on the inside cover page hereof.

Security for the Series 2006C Bonds

General. The Series 2006C Bonds are limited obligations of the Agency payable solely from and secured solely by a pledge of Tax Revenues (as defined herein) and certain other funds held by the Trustee pursuant to the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS.”

Pursuant to the Redevelopment Law, a portion of all property tax revenues (the “Tax Revenues”), including certain reimbursements by the State of California (the “State”), collected by or for each taxing agency on any increase in the taxable value of certain property within the Project Area over that shown on the assessment rolls for the base year (“Base Year Value”) may be pledged to the repayment of loans, advances and indebtedness incurred by the Agency in connection with redevelopment activities in or of benefit to the Project Area. The Project Area has a Base Year Value that was established based on the assessed value for the year in which taxable property in such area was last equalized prior to the effective date of the ordinance approving the applicable redevelopment plan. The Base Year for the Project Area is Fiscal Year 1999-2000. The Agency, under the Indenture, pledges the Tax Revenues to secure repayment of the Series 2006C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS – Allocation of Taxes” and “– Tax Revenues.”

As and to the extent set forth in the Indenture, all the Tax Revenues are irrevocably pledged for the security and payment of the Series 2006C Bonds and any Parity Debt (as defined below); but nevertheless out of the Tax Revenues certain amounts may be applied for other purposes as provided in the Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS – Additional Parity and Subordinate Debt.”

Reserve Account. On the date of delivery of the Series 2006C Bonds, a portion of the Series 2006C Bond proceeds will be used to purchase a reserve account surety bond policy (the “Series 2006C Qualified Reserve Account Credit Instrument”) in the amount of \$1,163,979.96 issued by Ambac

Assurance Corporation (the “Series 2006C Insurer”) for deposit into the Series 2006C Subaccount of the Reserve Account for the Series 2006C Bonds to satisfy the Reserve Requirement. Amounts on deposit in the Series 2006C Subaccount of the Reserve Account will be used for the payment of debt service on the Series 2006C Bonds in the event that amounts on deposit in the Interest Account or the Principal Account are insufficient therefore. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS – Reserve Account,” “BOND INSURANCE AND RESERVE SURETY – Reserve Account Surety Bond” and APPENDIX I – “SPECIMEN RESERVE ACCOUNT SURETY BOND POLICY.”

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

Bond Insurance

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

Certain Risk Factors

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

Continuing Disclosure

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

The Agency has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12(b)(5) to provide Annual Reports or Material Event Notices.

Additional Information

This Official Statement contains brief descriptions of the Series 2006C Bonds, the security for the Series 2006C Bonds, the Indenture, the Agency, the Project, the Project Area and certain other information relevant to the issuance of the Series 2006C Bonds. All references herein to the Indenture are qualified in their entirety by reference to the complete text thereof and all references to the Series 2006C Bonds are further qualified by reference to the form thereof contained in the Indenture. The Agency’s audited financial statements for the Fiscal Year ended June 30, 2005 are included in APPENDIX B. The proposed forms of legal opinions of Bond Counsel for the Series 2006C 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 2006C Bonds are available upon written request from the Treasury Manager, 150 Frank Ogawa Plaza, 5th Floor, Oakland, California 94612. The Agency may impose a charge for copying, mailing and handling.

PLAN OF FINANCE

A portion of the proceeds of the Series 2006C Bonds will be deposited in the Redevelopment Fund held by the Trustee to be applied to finance various redevelopment activities within the Project Area (collectively, the “Project”), including, but not limited to, property acquisition to facilitate residential and commercial development and public infrastructure such as streetscape and traffic improvements.

ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources:</u>	<u>Series 2006C-TE</u>	<u>Series 2006C-T</u>	<u>Total</u>
Principal Amount	\$4,945,000	\$12,325,000	\$17,270,000
Plus Original Issue Premium	<u>215,355</u>	<u>--</u>	<u>215,355</u>
TOTAL SOURCES	\$5,160,355	\$12,325,000	\$17,485,355
<u>Uses:</u>			
Deposit to Redevelopment Fund ⁽¹⁾	\$5,000,000	\$12,000,000	\$17,000,000
Costs of Issuance ⁽²⁾	<u>160,355</u>	<u>325,000</u>	<u>485,355</u>
TOTAL USES	\$5,160,355	\$12,325,000	\$17,485,355

⁽¹⁾ To be used to finance redevelopment activities in the Project Area. See “PLAN OF FINANCE.”
⁽²⁾ Includes the fees and expenses of Bond Counsel, fees and expenses of the Trustee and the Financial Advisor, the Underwriters’ discount, printing costs, rating agency fees, bond insurance premium (\$310,132.57) and reserve account surety bond premium (\$34,337.41) and other costs related to the issuance of the Series 2006C Bonds.

THE SERIES 2006C BONDS

Description

The Series 2006C 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 2006C Bond will bear interest at the rates per annum set forth on the inside cover page hereof payable semiannually on March 1 and September 1 of each year, commencing March 1, 2007, and will mature on the dates and in the amounts set forth on the cover page hereof. The Series 2006C Bonds will mature and will bear interest calculated on the basis of a 360-day year of twelve 30-day months. The Series 2006C Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, so long as no Series 2006C Bond will have more than one maturity date. The Series 2006C Bonds will be issued only as one fully registered Series 2006C Bond for each maturity of each Series of the Series 2006C Bonds, in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“DTC”), as registered owner of all Bonds. See APPENDIX G – “DTC AND THE BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.” Ownership may be changed only upon the registration books maintained by the Trustee as provided in the Indenture.

Except as provided in the Indenture, the Trustee will not be required to register the transfer or exchange of any Series 2006C Bond during the 15 days before the date established by the Trustee for the selection of Series 2006C Bonds for redemption or after such Series 2006C Bond has been selected for redemption. The Trustee will require the Series 2006C 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 Series 2006C 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 2006C Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) it is authenticated on or before February 15, 2007, in which event it will bear interest from the date of delivery of the Series 2006C Bonds; provided, however, that if, as of the date of authentication of any Series 2006C Bond, interest thereon is in default, such Series 2006C Bond will bear interest from the date to which interest has previously been paid in full.

Interest on the Series 2006C Bonds (including the final interest payment upon maturity or redemption) is payable when due by check of the Trustee mailed to the Owner thereof at such Owner’s address as it appears on the Registration Books at the close of business on the preceding Record Date; provided that at the written request of any Owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee as of any Record Date, interest on such Bonds will be paid on the succeeding Interest Payment Date in accordance with the wire instructions provided by the Owner at the Owner’s risk and expense.

While the Series 2006C 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 2006C Bonds. The principal of the Series 2006C Bonds and any premium upon redemption, are payable in lawful money of the United States of America upon presentation and surrender thereof at the principal corporate trust office of the Trustee. See APPENDIX G – “DTC AND THE BOOK ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES.”

Redemption

Optional Redemption. The Series 2006C-TE Bonds are subject to redemption prior to maturity, at the option of the Agency on any date on or after September 1, 2016, as a whole or in part, by such maturities as will be determined by the Agency, and by lot within a maturity, from any available source of funds, at the principal amount of the Series 2006C-TE Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Series 2006C-T Bonds are subject to optional redemption prior to their maturity at the option of the Agency, in whole or in part (and if in part, pro rata as described below) on any date, at a redemption price equal to the greater of: (1) 100 percent of the principal amount of the Series 2006C-T Bonds to be redeemed; or (2) the sum of the present values of the remaining scheduled payments of principal and interest on the Series 2006C-T Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points, plus accrued and unpaid interest on the Series 2006C-T Bonds being redeemed to the date fixed for redemption.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Series 2006C-T Bond, the US Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity closest to the remaining average life of the Series 2006C-T Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Series 2006C-T Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Series 2006C-T Bond, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (2) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

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

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

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a Series 2006C-T Bond, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business date preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date for a Series 2006C-T Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

Mandatory Sinking Account Redemption. The Series 2006C-TE Bonds that are Term Bonds and maturing on September 1, 2036 are also subject to mandatory redemption prior to their stated maturities, in whole, or in part by lot, on September 1 of each year set forth below, commencing September 1, 2032, as set forth below from sinking fund payments made by the Agency to the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (a) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture (as described under the subcaption “– Purchase in Lieu of Redemption” below) and (b) if some but not all of such Term Bonds have been optionally redeemed pursuant to the terms of the Indenture (as described under the subcaption “– Optional Redemption” above), the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

**Series 2006C-TE Bonds Maturing
September 1, 2036**

Sinking Fund Payment Date (September 1)	Principal Amount
2032	\$825,000
2033	955,000
2034	1,005,000
2035	1,055,000
2036†	1,105,000

† Maturity.

The Series 2006C-T Bonds that are Term Bonds and maturing on September 1, 2016 and September 1, 2032 are also subject to mandatory redemption prior to their stated maturities, in whole, or in part (pro rata among holders, as described below), on September 1 of each year set forth below, commencing September 1, 2007 and September 1, 2017, respectively, as set forth below from sinking fund payments made by the Agency to the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, in the aggregate respective principal amounts and on September 1 in the respective years as set forth in the following table; provided however, that (a) in lieu of redemption thereof such Term Bonds may be purchased by the Agency pursuant to the terms of the Indenture (as described under the subcaption “– Purchase in Lieu of Redemption” below) and (b) if some but not all of such Term Bonds have been optionally redeemed pursuant to the terms of the Indenture (as described under the subcaption “– Optional Redemption” above), the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such sinking fund payments in integral multiples of \$5,000 as determined by the Agency (notice of which determination will be given by the Agency to the Trustee).

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

Sinking Fund Payment Date (September 1)	Principal Amount
2007	\$340,000
2008	255,000
2009	265,000
2010	280,000
2011	295,000
2012	310,000
2013	325,000
2014	345,000
2015	365,000
2016†	380,000

† Maturity.

Giving effect to the mandatory redemption set forth above, the average life of the Series 2006C-T Bonds maturing September 1, 2016 calculated from the date of delivery is 5.652 years.

**Series 2006C-T Bonds Maturing
September 1, 2032**

Sinking Fund Payment Date (September 1)	Principal Amount
2017	\$400,000
2018	425,000
2019	450,000
2020	475,000
2021	500,000
2022	530,000
2023	560,000
2024	590,000
2025	620,000
2026	655,000
2027	695,000
2028	730,000
2029	775,000
2030	815,000
2031	860,000
2032†	85,000

† Maturity.

Giving effect to the mandatory redemption set forth above, the average life of the Series 2006C-T Bonds maturing September 1, 2032 calculated from the date of delivery is 18.953 years.

Notice of Redemption; Rescission. Notice of redemption will be mailed by the Trustee by first class mail, at least 30 days but not more than 60 days prior to the redemption date, to the Owners of any Series 2006C Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee. Such mailing of the notice of redemption is not a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Series 2006C Bonds designated for redemption or the cessation of the accrual of interest thereon. Such notice will state the redemption date and the redemption price, that such redemption is conditioned upon the timely delivery of the redemption price by the Agency to the Trustee for deposit in the Redemption Account, the CUSIP number of the Series 2006C Bonds to be redeemed, the individual number of each Series 2006C Bond to be redeemed or that all Series 2006C Bonds between two stated numbers (both inclusive) or all of the Series 2006C Bonds Outstanding are to be redeemed, and will require that such Series 2006C Bonds be then surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price and will give notice that further interest on such Series 2006C Bonds will not accrue from and after the redemption date.

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

So long as the book-entry system is in effect, the Trustee will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Series 2006C Bonds under the book-entry system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Selection of Bonds for Redemption. Whenever any Series 2006C Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Agency deems appropriate, and will notify the Agency thereof to the extent Series 2006C Bonds are no longer held in book-entry form. In the event of redemption by lot of Series 2006C Bonds, the Trustee will assign to each Series 2006C Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Series 2006C Bond. The Series 2006C Bonds to be redeemed will be the Series 2006C Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Series 2006C Bond of a denomination of more than \$5,000 will be redeemed as will equal \$5,000 for each number assigned to it and so selected.

Notwithstanding the prior paragraph, optional redemption payments and mandatory sinking fund redemption payments on the Series 2006C-T Bonds being redeemed in part will be made on a pro rata basis to each Owner in whose name such Series 2006C-T Bonds are registered at the close of business on the Record Date immediately preceding the redemption date (DTC so long as the book-entry system with DTC is in effect). "Pro rata" means, in connection with any mandatory sinking fund redemption or any optional redemption in part, with respect to the allocation of amounts to be redeemed, the application to such amounts of a fraction, the numerator of which is equal to the amount of the specific maturity of Series 2006C-T Bonds held by an owner of such Series 2006C-T Bonds, and the denominator of which is equal to the total amount of such maturity of Series 2006C-T Bonds, then Outstanding. So long as there is a securities depository for the Series 2006C-T Bonds, there will be only one registered owner and neither the Agency nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series 2006C-T Bonds.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the Series 2006C Bonds so called for redemption will have been duly deposited with the Trustee, such Series 2006C Bonds so called will cease to be entitled to

any benefit under the Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest will accrue thereon from and after the redemption date specified in such notice.

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

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DEBT SERVICE COVERAGE PROJECTIONS

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

Bond Year Ending <u>September 1</u>	Projected Project Area <u>Tax Revenues⁽¹⁾</u>	Series 2006C-TE Bonds <u>Debt Service</u>	Series 2006C-T Bonds <u>Debt Service</u>	Series 2006C Bonds <u>Debt Service</u>	Estimated Coverage <u>(times)</u>
2007	\$2,902,000	\$219,091	\$941,662	\$1,160,753	2.50x
2008	2,902,000	247,250	916,029	1,163,279	2.49
2009	2,902,000	247,250	912,558	1,159,808	2.50
2010	2,902,000	247,250	913,558	1,160,808	2.50
2011	2,902,000	247,250	913,765	1,161,015	2.50
2012	2,902,000	247,250	913,180	1,160,430	2.50
2013	2,902,000	247,250	911,803	1,159,053	2.50
2014	2,902,000	247,250	914,633	1,161,883	2.50
2015	2,902,000	247,250	916,407	1,163,657	2.49
2016	2,902,000	247,250	912,124	1,159,374	2.50
2017	2,902,000	247,250	912,049	1,159,299	2.50
2018	2,902,000	247,250	914,701	1,161,951	2.50
2019	2,902,000	247,250	915,956	1,163,206	2.49
2020	2,902,000	247,250	915,814	1,163,064	2.50
2021	2,902,000	247,250	914,276	1,161,526	2.50
2022	2,902,000	247,250	916,341	1,163,591	2.49
2023	2,902,000	247,250	916,730	1,163,980	2.49
2024	2,902,000	247,250	915,443	1,162,693	2.50
2025	2,902,000	247,250	912,479	1,159,729	2.50
2026	2,902,000	247,250	912,840	1,160,090	2.50
2027	2,902,000	247,250	916,245	1,163,495	2.49
2028	2,902,000	247,250	912,416	1,159,666	2.50
2029	2,902,000	247,250	916,630	1,163,880	2.49
2030	2,902,000	247,250	913,331	1,160,581	2.50
2031	2,902,000	247,250	912,797	1,160,047	2.50
2032	2,902,000	1,072,250	89,749	1,161,999	2.50
2033	2,902,000	1,161,000	--	1,161,000	2.50
2034	2,902,000	1,163,250	--	1,163,250	2.49
2035	2,902,000	1,163,000	--	1,163,000	2.50
2036	2,902,000	1,160,250	--	1,160,250	2.50
TOTAL		\$11,872,841	\$22,973,516	\$34,846,357	

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006C BONDS

Tax Allocation Financing

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

Allocation of Taxes

As provided in the Redevelopment Plan (as defined herein), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each Fiscal Year beginning after the effective dates of the ordinance approving the redevelopment plan are divided as follows:

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

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

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

Pass-Through Payments

On June 16, 2006, the Agency sent subordination requests to all affected tax entities. All taxing entities have agreed, or are deemed to have agreed, in accordance with the Redevelopment Law to subordinate their pass-through payments to debt service on the Series 2006C Bonds.

Tax Revenues

General. The Series 2006C Bonds and any Parity Debt (collectively, the “Bonds”) will be equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund, and the Series 2006C Bonds and any Parity Debt will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Redemption Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Agency will be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium (if any) on the Series 2006C Bonds. Under the Indenture, the Agency may incur additional loans, advances or indebtedness on a parity with the Series 2006C Bonds (“Parity Debt”), which Parity Debt will be equally secured on a parity with the Series 2006C Bonds by a pledge of and security interest in and lien on all of the Tax Revenues and the moneys in the Special Fund without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery, and, if applicable under any Supplemental Indenture, any Parity Debt issued as Bonds will also be secured by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Debt Service Fund (including the Reserve Account). See “– Additional Parity and Subordinate Debt” below. See also APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

“Tax Revenues” is defined in the Indenture as all taxes annually allocated within the Plan Limit (as defined below) 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 2006C Bonds and any Parity Debt. All taxing entities have agreed, or are deemed to have agreed, in accordance with the Redevelopment Law to subordinate their pass-through payments to debt service on the Series 2006C Bonds.

“Plan Limit” means the limitation, if any, 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 and the Redevelopment Law. Currently, there is no Plan Limit for the Project Area.

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 2006C Bonds and, consequently, the principal of, and interest on, the Series 2006C Bonds. Likewise, broadened property tax exemptions could have a similar effect. See “CERTAIN RISKS TO BONDHOLDERS” and “LIMITATIONS ON TAX REVENUES.”

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

In consideration of the acceptance of the Series 2006C Bonds by those who shall hold the same from time to time, the Indenture constitutes a contract between the Agency and the Owners from time to time of the Series 2006C 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 2006C Bonds and the holders of any additional Parity Debt, without preference, priority or distinction as to security or otherwise of any of the Series 2006C 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 2006C Bonds or in the Indenture.

No Outstanding Parity Debt

The Agency does not have any outstanding debt which is payable on a parity with the Series 2006C Bonds.

Reserve Account

On the date of delivery of the Series 2006C Bonds, a portion of the Series 2006C Bond proceeds will be used to purchase the Series 2006C Qualified Reserve Account Credit Instrument for deposit into the Series 2006C Subaccount of the Reserve Account for the Series 2006C Bonds to satisfy the Reserve Requirement. See “BOND INSURANCE AND RESERVE SURETY” and APPENDIX I – “SPECIMEN RESERVE ACCOUNT SURETY BOND POLICY.” Amounts on deposit in the Series 2006C Subaccount of the Reserve Account will be used for the payment of debt service on the Series 2006C Bonds in the event that amounts on deposit in the Interest Account or the Principal Account are insufficient. The Series 2006C Qualified Reserve Account Credit Instrument meets the requirements of a Qualified Reserve Account Credit Instrument set forth in the Indenture and described, in part, below. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – The Reserve Account.”

“Reserve Requirement” is defined in the Indenture to mean, as of the date of calculation by the Agency, the lesser of (i) the amount of Maximum Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds) and, (ii) 10% of the total of the proceeds of the Bonds (excluding from the calculation thereof any Parity Debt other than Bonds) or (iii) 125% of average

Annual Debt Service on the Bonds (excluding from the calculation thereof Parity Debt other than Bonds); provided, that in no event shall the Agency, in connection with the issuance of additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit, and that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Requirement shall, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year, including payments on any Parity Debt, as certified in writing by the Agency to the Trustee. For purposes of the calculation of Maximum Annual Debt Service, there shall be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and delivered to the Trustee) from which amounts may not be released to the Agency unless the amount of Tax Revenues, calculated as set forth in the Indenture, and Additional Revenues are then calculated to be not less than the percentage of Maximum Annual Debt Service required by the terms of the Indenture.

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

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

All money in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the Series 2006C Bonds then Outstanding, except that so long as the Agency is not in default, any amount in the Reserve Account in excess of the Reserve Requirement will be withdrawn from the Reserve Account semiannually on or before the fifth Business Day preceding each March 1 and September 1 by the Trustee and deposited in the Interest Account. All amounts in the Reserve Account on the Business Day preceding the final Interest Payment Date will be withdrawn from the Reserve Account and transferred either (i) to the Interest Account and the Principal Account, in such order, to the extent required to make the deposits then required to be made pursuant to the Indenture or, (ii) if the Agency shall have caused to be transferred to the Trustee an amount sufficient to make the deposits required by the Indenture, then, at the Written Request of the Agency, to the Redevelopment Fund.

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

“Qualified Reserve Account Credit Instrument” is defined to mean (i) the Series 2006C Qualified Reserve Account Credit Instrument or (ii) 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 “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 thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture.

Additional Parity and Subordinate Debt

Issuance of Parity Debt. The Agency may issue Parity Debt payable from Tax Revenues on a parity with the Series 2006C Bonds to finance and/or refinance redevelopment activities with respect to the Project in such principal amount as shall be determined by the Agency. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Pledge of Revenues; Creation of Special Funds and Accounts.” The Agency may issue and deliver any such Parity Debt subject to the following specific conditions all of which are made conditions precedent to the issuance and delivery of such Parity Debt:

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

(b) Except as provided in subsection (g) below, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) calculated using a tax rate of one percent (1%), (ii) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the Agency, and (iii) inclusive of Additional Revenues, plus an assumed increase in Tax Revenues of two percent (2%), shall be at least equal to one hundred twenty five percent (125%) of Maximum Annual Debt Service, including within such Maximum Annual Debt Service, the amount of annual debt service on the Parity Debt then proposed to be issued or incurred.

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

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable, provided that if such Parity Debt is Variable Rate Parity Debt and is in the form of auction rate securities, mandatory sinking account redemptions (other than the mandatory sinking account payment due upon the maturity of such Variable Rate Parity Debt) shall, at the option of the Agency, occur on either September 1 or the first Interest Payment Date immediately preceding or succeeding the scheduled mandatory sinking account date set forth in the applicable Parity Debt Instrument if such scheduled sinking account payment date is not an Interest Payment Date.

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds, other outstanding Parity Debt and Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount, if any, of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt.

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

(g) The conditions precedents set forth in subsections (a) through (f) above shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Series 2006C Bonds or any other outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Series 2006C Bonds or Parity Debt, or portion thereof, proposed to be refunded.

Under the Indenture, the Agency may issue variable rate debt, or enter into interest rate swap agreements, payable on a parity with the Series 2006C Bonds. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Issuance of Subordinate Debt. The Agency may issue or incur loans, advances or indebtedness which are either payable from, but not secured by a pledge of or lien upon, the Tax Revenues, or secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues for security of the Series 2006C Bonds (“Subordinate Debt”), in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation, if any, on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding 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 the Indenture have been satisfied.

BOND INSURANCE AND RESERVE SURETY

The following information has been furnished by the Series 2006C Insurer for use in this Official Statement. No representation is made by the Agency as to the accuracy or completeness of this information, or the absence of material adverse changes in this information at any time subsequent to the date of this Official Statement. References are made to APPENDIX H for a specimen of the Series 2006C Insurer’s financial guaranty insurance policy and APPENDIX I for a specimen of the Series 2006C Insurer’s reserve account surety bond policy.

Bond Insurance Policy

General. Concurrently with the execution and delivery of the Series 2006C Bonds, Ambac Assurance Corporation (the “Series 2006C Insurer”) will issue its financial guaranty insurance policy for

the Series 2006C Bonds (the “Series 2006C Policy”). The Series 2006C Policy guarantees the scheduled payment of principal and interest with respect to the Series 2006C Bonds when due as set forth in the form of the Series 2006C Policy included as an exhibit to this Official Statement.

Payment Pursuant to the Series 2006C Policy. The Series 2006C Insurer has made a commitment to issue the Series 2006C Policy relating to the Series 2006C Bonds effective as of the date of issuance of the Series 2006C Bonds. Under the terms of the Series 2006C Policy, the Series 2006C Insurer will pay to The Bank of New York, New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series 2006C Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Series 2006C Policy). The Series 2006C Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Series 2006C Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2006C Bonds and, once issued, cannot be canceled by the Series 2006C Insurer.

The Series 2006C Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2006C Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2006C Bonds, the Series 2006C Insurer will remain obligated to pay principal of and interest on outstanding Series 2006C Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2006C Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that the Series 2006C Insurer elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor). Upon payment of all such accelerated principal and interest accrued to the acceleration date, the Series 2006C Insurer’s obligations under the Series 2006C Policy shall be fully discharged.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2006C Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Series 2006C Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Series 2006C Policy does **not** insure any risk other than Nonpayment, as defined in the Series 2006C Policy. Specifically, the Series 2006C Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Series 2006C Policy, payment of principal requires surrender of Series 2006C Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2006C Bonds to be registered in the name of the Series 2006C Insurer to the extent of the payment under the Series 2006C Policy. Payment of interest

pursuant to the Series 2006C Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Series 2006C Insurer.

Upon payment of the insurance benefits, the Series 2006C Insurer will become the owner of the Series 2006C Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2006C Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that the Series 2006C Insurer were to become insolvent, any claims arising under this Series 2006C Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State.

Reserve Account Surety Bond

The Indenture authorizes the Agency to obtain a Qualified Reserve Account Credit Instrument in place of fully funding the Reserve Account. Accordingly, application has been made to the Series 2006C Insurer for the issuance of the Series 2006C Qualified Reserve Account Credit Instrument for the purpose of funding the Series 2006C Subaccount of the Reserve Account. The Series 2006C Bonds will only be delivered upon the issuance of such Series 2006C Qualified Reserve Account Credit Instrument. The premium on the Series 2006C Qualified Reserve Account Credit Instrument is to be fully paid at or prior to the issuance and delivery of the Series 2006C Bonds. The Series 2006C Qualified Reserve Account Credit Instrument provides that upon the later of (i) one (1) day after receipt by the Series 2006C Insurer of a demand for payment executed by the Trustee certifying that provision for the payment of principal of or interest on the Series 2006C Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to the Series 2006C Insurer, the Series 2006C Insurer will promptly deposit funds with the Trustee sufficient to enable the Trustee to make such payments due on the Series 2006C Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Series 2006C Qualified Reserve Account Credit Instrument.

Pursuant to the terms of the Series 2006C Qualified Reserve Account Credit Instrument, the Surety Bond Coverage is automatically reduced to the extent of each payment made by the Series 2006C Insurer under the terms of the Series 2006C Qualified Reserve Account Credit Instrument and the Agency is required to reimburse the Series 2006C Insurer for any draws under the Series 2006C Qualified Reserve Account Credit Instrument with interest at a market rate. Upon such reimbursement, the Series 2006C Qualified Reserve Account Credit Instrument is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Agency is subordinate to the Agency's obligations with respect to the Series 2006C Bonds.

In the event the amount on deposit, or credited to the Series 2006C Subaccount of the Reserve Account, exceeds the amount of the Series 2006C Qualified Reserve Account Credit Instrument, any draw on the Series 2006C Qualified Reserve Account Credit Instrument shall be made only after all the funds in the Series 2006C Subaccount of the Reserve Account have been expended. In the event that the amount on deposit in, or credited to, the Series 2006C Subaccount of the Reserve Account, in addition to the amount available under the Series 2006C Qualified Reserve Account Credit Instrument, includes amounts available under a letter of credit, insurance policy, Series 2006C Qualified Reserve Account Credit Instrument or other such funding instrument (the "Additional Funding Instrument"), draws on the Series 2006C Qualified Reserve Account Credit Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Indenture provides that the Series 2006C Subaccount of the Reserve Account shall be replenished in the following priority: (i) principal and interest on the Series 2006C Qualified Reserve Account Credit Instrument and on the Additional Funding Instrument shall be paid from first available Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into

account the amounts available under the Series 2006C Qualified Reserve Account Credit Instrument and the Additional Funding Instrument shall be deposited from next available Tax Revenues.

The Series 2006C Qualified Reserve Account Credit Instrument does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

In the event that the Series 2006C Insurer were to become insolvent, any claims arising under this Series 2006C Qualified Reserve Account Credit Instrument would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State.

Ambac Assurance Corporation

The Series 2006C Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$9,599,000,000** (unaudited) and statutory capital of **\$6,000,000,000** (unaudited) as of **June 30, 2006**. Statutory capital consists of the Series 2006C Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Series 2006C Insurer.

The Series 2006C Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Series 2006C Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Series 2006C Insurer under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2006C Bonds.

The Series 2006C Insurer makes no representation regarding the Series 2006C Bonds or the advisability of investing in the Series 2006C Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Series 2006C Insurer and presented under the heading "BOND INSURANCE AND RESERVE SURETY."

Available Information

The parent company of the Series 2006C Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Series 2006C Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Series 2006C Insurer. The address of the Series 2006C Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;
2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006;
3. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006;
4. The Company's Current Report on Form 8-K dated July 25, 2006 and filed on July 26, 2006;
5. The Company's Current Report on Form 8-K dated and filed on July 26, 2006; and
6. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2006 and filed on August 9, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "– Available Information."

TAX ALLOCATION FINANCING

Introduction

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

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

Property Tax Rate and Appropriation Limitations

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

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

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

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

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

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

Unitary Property

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

Property Tax Collection Procedures

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

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

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

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

Certification of Agency Indebtedness

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

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

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

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

Section 33334.1 requires a redevelopment plan adopted on or after October 1, 1976 to contain a limit on the amount of bonds or indebtedness which can be outstanding at one time. See “THE PROJECT AREA – Redevelopment Plan Limitations.”

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

Low and Moderate Income Housing Fund

Under Section 33334.2 of the Redevelopment Law, redevelopment agencies in California are generally required, unless certain annual findings are made, annually to set aside 20% of all property tax increment revenues allocated to the Agency pursuant to the Redevelopment Law and to deposit said revenues in a Low and Moderate Income Housing Fund (the “Housing Set-Aside”) to be used within the jurisdiction of the Agency to increase, improve, and preserve the community’s supply of low and moderate income housing. On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., which increased the Housing Set-Aside from 20% to 25% for those project areas in which the debt coverage ratio of the project area equals or exceeds 120%. The Resolution further provides that the increase in the Housing Set-Aside is subordinate to all existing and future tax allocation bonded indebtedness the Agency may issue or incur for such project area, and that all Agency debt service (including debt service on the Series 2006C Bonds) shall be paid on a superior basis to the additional 5% housing set-aside.

Assembly Bill 1290

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

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

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

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

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

AB 1290 also established a statutory formula for sharing tax increment for project areas established, or amended in certain respects, on or after January 1, 1994, which applies to tax increment revenues net of the housing set-aside. The first 25% of net tax increment generated by the increase in assessed value after the effective date of the amendment is required to be paid to affected taxing entities. In addition, beginning in the eleventh year of collecting tax increment, an additional 21% of the increment generated by increases in assessed value after the tenth year must be so paid. Finally, beginning in the thirty-first year of collecting tax increment, an additional 14% of the increment generated by increases in assessed value after the thirtieth year must be so paid. Certain provisions of AB 1290 have been revised or modified since its adoption. For a summary of limitations provided in AB 1290, see “THE PROJECT AREA – Redevelopment Plan Limitations.”

CERTAIN RISKS TO BONDHOLDERS

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

Accuracy of Assumptions

To estimate the revenues available to pay debt service on the Series 2006C Bonds, the Agency has made certain assumptions with regard to the assessed valuation of taxable property in the Project Area, future tax rates, growth in tax revenues over time, percentage of taxes collected, the amount of funds available for investment and the interest rate at which those funds will be invested. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.” The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates, the percentages collected, the amount of the funds available for investment or the interest rate at which they are invested, are less than the Agency’s assumptions, the Tax Revenues available to pay debt service on the Series 2006C Bonds will, in all likelihood, be less than those projected herein. See “DEBT SERVICE COVERAGE PROJECTIONS.”

Reduction of Tax Revenues

Tax Revenues allocated to the Agency, which constitute the primary security for the Series 2006C Bonds, are determined by the incremental assessed value of taxable property in the Project Area, the current rate or rates at which property in the Project Area is taxed, and the percentage of taxes collected in the Project Area. Several types of events that are beyond the control of the Agency could occur and cause a reduction in available Tax Revenues. A reduction of taxable values of property in the Project Area or a reduction of the rate of increase in taxable values of property in the Project Area caused by economic or other factors beyond the Agency’s control (such as a successful appeal by a property owner for a reduction in a property’s assessed value, a reduction of the general inflationary rate, a reduction in value, or the destruction of property caused by natural or other disasters) could occur, thereby causing a reduction in the Tax Revenues that secure the Series 2006C Bonds. Such a reduction in Tax Revenues could have an adverse impact on the Agency’s ability to make timely payment of principal of and interest on the Series 2006C Bonds.

Moreover, in addition to the other limitations on Tax Revenues described under “LIMITATIONS ON TAX REVENUES,” the California electorate or Legislature could adopt a constitutional or legislative property tax decrease with the effect of reducing Tax Revenues payable to the Agency. There is no

assurance that the California electorate or Legislature will not at some future time approve additional limitations that could reduce Tax Revenues and adversely affect the security of the Series 2006C Bonds.

Additionally, the Agency has no power to levy and collect property taxes. The receipt of tax revenues by the Agency is dependent on the timely payment of property taxes by landowners within the Project Area. Substantial delinquencies in the payment of property taxes on land in the Project Area by a large number of landowners could have an adverse effect on the Agency's ability to make timely debt service payments on the Series 2006C Bonds secured by Tax Revenues derived from the Project Area. Tax revenues allocated to the Agency are distributed throughout the fiscal year in installments, with a first installment in January, a second installment in May, and a supplemental installment in June of the same fiscal year. The payments are adjusted to reflect actual collections.

Reductions in Unitary Values

As the result of the adoption of AB 454 (Chapter 921, Statutes of 1986), a portion of the County-wide unitary values assigned to public utilities was allocated to the Project Area. For Fiscal Year 2005-06, \$151 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property. Any substantial reduction in the values of public utility properties, either because of deregulation of a utility industry or for any other reason, will have an adverse impact on the amount of Tax Revenues. The extent of any such impact would depend on the proportion of the Project Area's unitary revenue to the total tax revenues generated in the Project Area. For further information concerning unitary values, see "LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures" and "– Taxation of Unitary Property."

Appeals to Assessed Values

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

In the County, a property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the Alameda County Assessment Appeals Board (the "Appeals Board"). Applications for any tax year must be submitted by September 15 of such tax year. Following a review of the application by the Alameda County Assessor's Office (the "County Assessor"), the County Assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than two percent) following the year for which the reduction application is filed. However, the County

Assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted. See “LIMITATIONS ON TAX REVENUES – Property Tax Collection Procedures” and “THE PROJECT AREA – Pending Appeals for Reduction of Assessed Valuation.”

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

Hazardous Substances

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

Reduction in Inflation Rate

As described in greater detail below, Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflation rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index, comparable local data or any reduction in the event of declining property value caused by damage, destruction or other factors (as described above). Such measure is computed on a calendar year basis. Any resulting reduction in the full cash value base over the term of the Series 2006C Bonds could reduce Tax Revenues. See “LIMITATIONS ON TAX REVENUES – Property Tax Rate Limitations-Article XIII A.”

Delinquencies

The Agency does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to repay the Series 2006C Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency’s ability to make timely debt service payments. The County has elected to follow the procedures of the Teeter Plan, pursuant to which it allocates property taxes to the Agency based on 100% of the tax levy, notwithstanding any delinquencies. However, there can be no assurance the County will continue such practice. See “THE PROJECT AREA – Teeter Plan.”

Investment Funds

All funds held by the Trustee under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See Appendix D attached hereto for a summary of the definition of Permitted Investments. All funds held by the Agency, including the Special Fund into which all Tax Increment Revenues are initially deposited, may be invested by the Agency in any investment

authorized by law. See the audited financial statements of the Agency for the year ended June 30, 2005 attached hereto as Appendix B for a description of the Agency's investments at June 30, 2005. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the Special Fund could have a material adverse effect on the security for the Series 2006C Bonds.

Bankruptcy and Foreclosure

The rights of the Owners of the Series 2006C Bonds and the enforceability of the obligation to make payments on the Series 2006C Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights under currently existing law or laws enacted in the future and may also be subject to the exercise of judicial discretion under certain circumstances. The opinions of Bond Counsel as to the enforceability of the obligation to make payments on the Series 2006C Bonds will be qualified as to bankruptcy and such other legal events. See APPENDIX E – "PROPOSED FORMS OF BOND COUNSEL OPINIONS."

Further, the payment of the tax increment revenues and the ability of the County to timely foreclose the lien of a delinquent unpaid tax may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to judicial foreclosure. Any delay in prosecuting superior court foreclosure proceedings would increase the likelihood of a delay or default in payment of the principal of and interest on the Series 2006C Bonds and the possibility of delinquent tax installments not being paid in full.

Impact of State Budgets

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95, 2002-03, 2003-04, 2004-05, and 2005-06 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas.

In 2003, the State Legislature adopted and the Governor of the State signed legislation, SB 1045, requiring redevelopment agencies to pay into ERAF in Fiscal Year 2003-04 an aggregate amount of \$135 million. SB 1045, signed by the Governor in September 2003 required the payment into ERAF in the 2003-04 fiscal year only. SB 1045 provides that one-half of the ERAF obligation of the Agency is calculated based on the gross tax increment received by the Agency and the other one-half of the ERAF obligation of the Agency is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities), as such tax increment revenues are shown in Table 1 of the fiscal year 2001-02 Annual Report of the California State Controller. The Governor's budget for the 2004-05 fiscal year as implemented by SB 1096 and the Governor's budget for the 2005-06 fiscal year as implemented by SB 77 each again included a transfer by redevelopment agencies to the applicable ERAFs. The aggregate ERAF transfer by all redevelopment agencies increased from \$135 million in the 2003-04 fiscal year to \$250 million in each of the 2004-05 and 2005-06 fiscal years. SB 1096 provides that required transfers to ERAF are subordinate to payments on bonds secured by tax increment revenues. Based on the tax increment revenues shown in the State Controller's Annual Report as being retained by the Agency, the Agency paid into ERAF \$4,706,820 by May 10, 2005 and \$4,669,367 by May 10, 2006. No other payments beyond the 2005-06 fiscal year are currently mandated.

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

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

Seismic Factors

The assessed valuation of properties in the Project Area could be substantially reduced as a result of a major earthquake proximate to the Project Area. There are several geological faults in the greater San Francisco Bay Area that have the potential to cause serious earthquakes which could result in damage to buildings, roads, bridges, and property within the Project Area. The Loma Prieta earthquake, which occurred in October 1989 along the San Andreas Fault, resulted in substantial damage to the infrastructure and property in the City. In addition to the San Andreas Fault, faults that could affect the Project Area include the Hayward Fault and the Calaveras Fault in the central and eastern portions of Alameda County. If there were to be an occurrence of severe seismic activity in the Project Area, there could be a negative impact on assessed values of taxable values of property in the Project Area and could result in a reduction in Tax Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of debt service on the Series 2006C Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2006C-TE Bonds, the Agency has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the Series 2006C-TE Bonds could become includable gross income for purposes of federal income taxation retroactive to the date of issuance of the Series 2006C-TE Bonds as a result of acts or omissions of the Agency in violation of this or other covenants in the Indenture applicable to the Series 2006C-TE Bonds. The Series 2006C-TE Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See "TAX MATTERS."

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Series 2006C-TE Bonds was undertaken it would not adversely affect the market value of the Series 2006C-TE Bonds. See "TAX MATTERS." The Agency is not currently the subject of any ongoing audit nor has it been notified by the IRS regarding the possibility of any such audit.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2006C Bonds or, if a secondary market exists, that the Series 2006C 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 2006C BONDS – Additional Parity and Subordinate Debt,” the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of debt service on the Series 2006C 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 2006C Bonds in the event of a decrease in the Agency’s collection of Tax Revenues.

Series 2006C Bonds Are Limited Obligations

The Series 2006C Bonds are special, limited obligations of the Agency and as such are not debt of the City, the State or any of their political subdivisions other than the Agency, and none of the City, the State or any of their political subdivisions other than the Agency is liable for the payment thereof. The principal of, and premium, if any, and interest on, the Series 2006C 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 2006C 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 2006C BONDS.” No Owner of the Series 2006C Bonds may compel exercise of the taxing power of the State, the City or any of their political subdivisions to pay the principal of, or premium, if any, or interest due on the Series 2006C Bonds.

Limited Recourse on Default

If the Agency defaults on its obligations to make debt service payments on the Series 2006C Bonds, the Trustee, as assignee of the Agency, has the right to accelerate the total unpaid principal amount of the Series 2006C Bonds. However, in the event of a default and such acceleration, there can be no assurance that the Trustee will have sufficient moneys available for payment of the Series 2006C Bonds.

LIMITATIONS ON TAX REVENUES

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

Introduction

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a project area.

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

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

Property Tax Rate Limitations-Article XIII A

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

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

which the replacement dwelling purchased or constructed after November 8, 1988, is located within that county and the original property is located in another county within California.

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

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

Property Tax Collection Procedures

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

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

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

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

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

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

Appropriation Limitation – Article XIII B

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

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

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

The constitutionality of Section 33678 has been upheld by the Second and Fourth District Courts of Appeal in two decisions: *Bell Community Redevelopment Agency v. Woosley* and *Brown v. Community Redevelopment Agency of the City of Santa Ana*. The plaintiff in *Brown v. Community Redevelopment Agency of the City of Santa Ana* has petitioned the California Supreme Court for a hearing of this case.

SB 2557

SB 2557, enacted in 1990 (Chapter 466, Statutes of 1990) authorized county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities that are subject to a property tax administration charge. The County collects property tax administration costs from the Agency by deducting such costs from tax revenues prior to delivering such amounts to the Agency. For Fiscal Year 2005-06 the County's

administrative fee for the Project Area was approximately \$17,766, which was approximately 0.60 percent of Fiscal Year 2005-06 gross tax increment revenues.

Proposition 218

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

Taxation of Unitary Property

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

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

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

For Fiscal Year 2005-06, \$151 of the tax increment revenue allocable to the Agency with respect to the Project Area was attributable to unitary property.

Limitation of Tax Revenues From Certain Increased Tax Rates

An initiative to amend the California Constitution entitled "Property Tax Revenues – Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. This initiative amends the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property tax revenue raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative applies to tax rates levied to finance bonds approved by the voters on or after January 1, 1989. The

Agency does not currently project receiving any tax revenues as a result of general obligation bonds which may have been approved on or after January 1, 1989.

Redevelopment Plan Limitations

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

Among other amendments to the Redevelopment Law, AB 1290 imposes time limits on existing redevelopment plans for the incurrence of indebtedness, the duration of the plan and the collection of tax increment revenues. The time limits imposed on AB 1290 apply individually to each plan as well as to specific territory added by amendments to a redevelopment plan. AB 1290 required the Agency to adopt such a time limit for the receipt of increment, which may not extend more than ten years beyond the duration of each redevelopment plan. Pursuant to AB 1290 which took effect January 1, 1994, the Agency’s Redevelopment Plan for the Project Area imposes a time limit for Plan activities of July 25, 2030 and a time limit to repay debt or receive property taxes of July 25, 2045. The Redevelopment Law allows the further extension of these dates if certain findings can be made as to each of the plans. For additional information regarding the time limits applicable to each territory within the Project Area, see “THE PROJECT AREA – Redevelopment Plan Limitations” and Appendix C – “REPORT OF THE FISCAL CONSULTANT.”

Statement of Indebtedness

Under the Redevelopment Law, the Agency must file with the County Auditor a statement of indebtedness for the Project Area not later than the first day of October of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (the “Debt”), both over the life of the Debt and for the current fiscal year, and (ii) the amount of “available revenue” as of the end of the previous fiscal year. “Available revenue” is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year. Available revenues include amounts held by the Agency and irrevocably pledged to the payment of Debt, but do not include amounts set aside for low and moderate income housing.

The County Auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes *prima facie* evidence of the indebtedness of the Agency; however, the County Auditor may dispute the statement of indebtedness in certain cases. Section 33675 provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such a dispute in the event it cannot be resolved by the Agency and the County. Any such action may only challenge the amount of the Debt as shown on the

statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a Trustee in connection with a bond issue or payments to a public agency in connection with payment by that public agency with respect to a lease or bond issue.

Housing Set-Aside

Section 33334.2 and 33334.6 of the Redevelopment Law require the Agency to set aside not less than the Housing Set-Aside to be used for the purpose of increasing, improving and/or preserving the community's supply of low and moderate income housing. On December 11, 2001, the Agency adopted Resolution No. 01-85 C.M.S., which increased the Housing Set-Aside from 20% to 25% for those project areas in which the debt coverage ratio of the project area equals or exceeds 120%. The Resolution further provides that the increase in the Housing Set-Aside is subordinate to all existing and future tax allocation bond indebtedness the Agency may issue or incur for such project area, and that all Agency debt service (including debt service on the Series 2006C Bonds) shall be paid on a superior basis to the additional 5% Housing Set-Aside.

Future Initiatives

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

THE PROJECT AREA

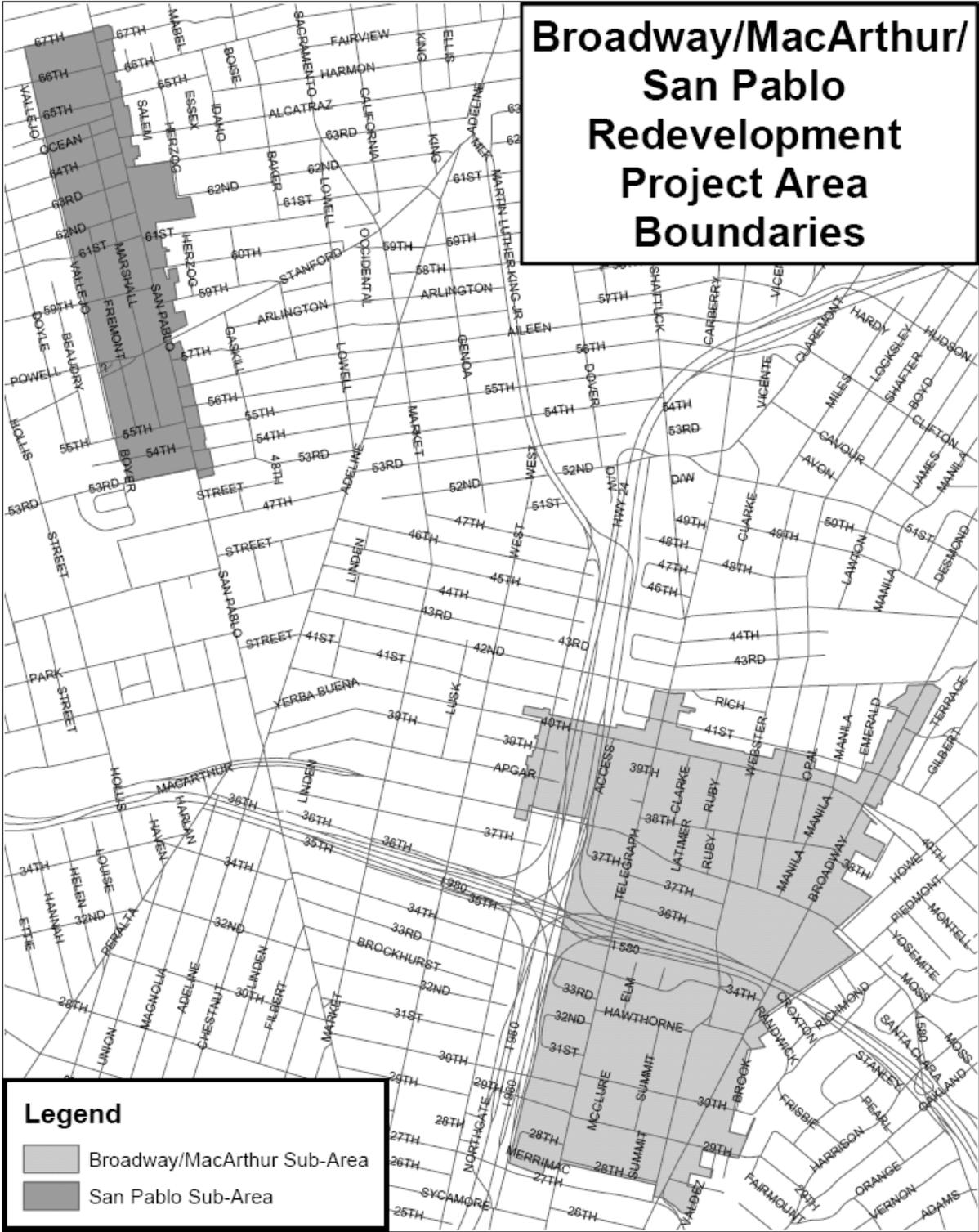
General

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

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

Following is a map of the Project Area.

Broadway/MacArthur/ San Pablo Redevelopment Project Area Boundaries



Legend

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

Action Areas

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

MacArthur Transit Village Project. The MacArthur Transit Village project involves the development of high-density housing and retail on the site of the existing BART parking lot and on adjacent private parcels at the MacArthur BART Station. The project will include 30,000 square feet of commercial space and up to 800 residential units. 20% of the units will be below-market rate rentals and the remainder will be market rate for-sale condominiums. The project also includes the replacement of the existing surface BART parking lot with a parking structure, a new public street, an intermodal transit center, and improvements to the surrounding streets. Construction is scheduled to start in 2008.

3860 Martin Luther King, Jr. Way. This project consists of 74-condominium units which will be developed on an Agency-owned property and the adjacent parcel. This project is located on the opposite side of the MacArthur BART Station from the MacArthur Transit Village site. Construction is anticipated to begin in late 2006.

40th Street Streetscape Project. This project includes pedestrian and bicycle-oriented streetscape improvements to 40th Street between Martin Luther King, Jr. Way and Telegraph Avenue, adjacent to the MacArthur BART Station. Construction is scheduled to begin in 2007.

Broadway Median Project. The Broadway Median project involves the upgrade of the center median on Broadway from MacArthur Boulevard to 51st Street. Approximately half of project length is within the Broadway/MacArthur/San Pablo Redevelopment Project Area. The project was completed in 2006.

Telegraph Streetscape Project. The Agency funded a design plan for pedestrian-oriented streetscape improvements on Telegraph Avenue for the entire length of the Project Area, from 27th to 42nd Street.

Broadway Auto Row. The Broadway Auto Row district, located on Broadway between Grand Avenue and West MacArthur Boulevard, is the historic location of the automobile dealerships in Oakland. This district is going through a period of transition as the City is working to relocate the automobile dealerships to other areas of the City. The district is characterized by a combination of large floor plate historical buildings and surface parking lots, which both present excellent retail and housing development opportunities. Already several mixed-use high density residential projects, with ground floor retail are under construction within the portion of Auto Row that is within the Project Area.

The uncompleted projects set forth herein are in various stages of planning, design, approval and development. From time to time, there may be opposition in the form of lawsuits and protests with respect to such uncompleted projects. No assurance is given that any particular project will be completed. The projected tax revenues available for Series 2006C Bonds set forth under "DEBT SERVICE COVERAGE PROJECTIONS" and in Table 2 of APPENDIX C – "REPORT OF THE FISCAL CONSULTANT" do not include any revenues from any of the uncompleted projects.

Other Projects and Special Programs

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

Commercial Façade Improvement Program. The Façade Improvement Program provides façade grants and architectural design assistance to commercial property owners and tenants located on the commercial corridors within the Project Area. The program offers matching grants on a one-to-one basis up to \$10,000 for improvements to storefronts including new signage, window repair and exterior painting. On San Pablo Avenue, the program supplements the existing Neighborhood Commercial Revitalization Façade Improvement Program by contributing 50 percent of the property owner's required match as part of a pilot program for severely distressed commercial districts.

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

Neighborhood Project Initiative. The program is a community grant program which funds small-scale, physical improvements within the redevelopment project area boundaries. The program grant awards are intended to support the blight reduction and beautification efforts of existing community and merchant organizations. The first round of program grants in 2006 funded minor streetscape improvements and upgrades to public facilities within the project area, such as recreation centers, public parks, and libraries. The program also funded a few projects on private properties including security cameras for area businesses and a mural on the exterior of a private building.

Recent Developments in the Project Area

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

Recently Completed Projects:

- 532 30th Street: 27 condominium units completed in 2005.
- Pulte Homes' City Limits townhouse project at 1165 67th Street : 61 units of for-sale housing completed in 2006.
- Renovation of historic Mercedes Benz showroom and Flat Iron buildings on Broadway Auto Row completed in 2005.

Projects Currently Under Construction:

- Artisan Walk by the Olson Company at 6549 San Pablo Avenue: 62 units of for-sale housing.
- 400 40th Street: 28 units of for-sale housing.
- Tri City Lofts at 6501 San Pablo Avenue: 24 units of for-sale housing.
- 6565 San Pablo: 33 condominium units.

Recently Approved Projects:

Kaiser Hospital Medical Campus Master Plan: phased replacement of existing medical center with a 1.78 million square feet of new development on 21 acres. The Master Plan was approved in June 2006. The first phase of construction is scheduled to begin in late 2006.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for the Broadway/MacArthur/San Pablo Redevelopment Project (the “Redevelopment Plan”) designates five major use areas that cover the entire Redevelopment Project Area: commercial, public/institutional, residential, industrial and open space. The City’s General Plan, Planning Code, Municipal Code, and other City codes and ordinances apply throughout the Project Area.

The Redevelopment Plan provides the Agency with the power, duties, and obligations to implement the program developed within the Plan for the redevelopment, rehabilitation and revitalization of the area within the boundaries of the Plan. Within the Plan boundaries, the Agency is empowered to employ various urban redevelopment, rehabilitation and revitalization techniques, including eminent domain.

Redevelopment Plan Limitations

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

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

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

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

Historical and Current Tax Revenues

The Agency’s primary source of funds to make payments of principal of, premium, if any, and interest on the Series 2006C Bonds is the Agency’s share of *ad valorem* property tax revenues which generally result from the completion of new real estate developments and a general reassessment of properties within the Project Area.

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

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area establishes a base from which increases in taxable value are computed. The original base so established for the Project Area was the 1999-2000 assessment roll. Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls will continue to be paid to and retained by all taxing agencies levying property taxes in the Project Area. Taxes levied by the respective taxing agencies on any increases in taxable value realized in the Project Area will be allocated to the Agency.

It should be understood that this procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year shall be apportioned to the taxing agencies levying the taxes and to the Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Agency in connection with the Project Area have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner. See also “CERTAIN RISKS TO BONDHOLDERS – Reduction of Tax Revenues,” “– Reductions in Unitary Values” and “– Delinquencies.”

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

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

	2002-03	2003-04	2004-05	2005-06	2006-07
<u>Gross Assessed Values</u>					
County Secured Roll	\$722,658,458	\$768,427,334	\$824,696,346	\$879,905,658	\$966,372,191
County Unsecured Roll	42,416,133	42,993,307	54,663,347	38,814,591	47,237,877
Total Gross Assessed Values	<u>\$765,074,591</u>	<u>\$811,420,641</u>	<u>\$879,359,693</u>	<u>\$918,720,249</u>	<u>\$1,013,610,068</u>
<u>Less Exemptions</u>					
County Secured Roll	\$321,967,507	\$311,817,396	\$350,298,923	\$352,893,751	\$336,577,832
County Unsecured Roll	5,604,011	7,215,822	17,126,014	853,316	2,358,911
Total Exemptions	<u>\$327,571,518</u>	<u>\$319,033,218</u>	<u>\$367,424,937</u>	<u>\$353,747,067</u>	<u>\$338,936,743</u>
<u>Net Assessed Values</u>					
County Secured Roll	\$400,690,951	\$456,609,938	\$474,397,423	\$527,011,907	\$629,794,359
County Unsecured Roll	36,812,122	35,777,485	37,537,333	37,961,275	44,878,966
Total Net Assessed Values	<u>\$437,503,073</u>	<u>\$492,387,423</u>	<u>\$511,934,756</u>	<u>\$564,973,182</u>	<u>\$674,673,325</u>
<u>Base Year Values (1999-2000)</u>					
Secured	\$328,497,980	\$328,497,980	\$328,497,980	\$328,497,980	\$328,497,980
Unsecured	33,937,669	33,937,669	33,937,669	33,937,669	33,937,669
Total Base Year Values	<u>\$362,435,649</u>	<u>\$362,435,649</u>	<u>\$362,435,649</u>	<u>\$362,435,649</u>	<u>\$362,435,649</u>
<u>Increase Over Base-Year Values</u>					
Secured	\$72,192,971	\$128,111,958	\$145,899,443	\$198,513,927	\$301,296,379
Unsecured	2,874,453	1,839,816	3,599,664	4,023,606	10,941,297
Total Increase in Values	<u>\$75,067,424</u>	<u>\$129,951,774</u>	<u>\$149,499,107</u>	<u>\$202,537,533</u>	<u>\$312,237,676</u>

Source: Alameda County Auditor-Controller.

Table 3 below reflects historical Tax Revenues received by the Project Area based on fiscal years ending June 30, 2002, through June 30, 2006. To date, the County has paid to the Agency the full amount of tax revenues available to the Agency based on the equalized roll, without regard to delinquencies in tax collection.

Table 3
Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Area
Tax Revenues Received

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Tax Increment Revenues	\$308,700	\$1,067,931	\$1,206,572	\$1,995,089	\$2,947,984
State Unitary Tax	0	22	475	281	454
Gross Tax Revenues	308,700	1,067,953	1,207,047	1,995,370	\$2,948,438
Less County Tax Administration Fees	(2,845)	(9,097)	(11,292)	(18,848)	(17,766)
Less Housing Set-Aside (20%)	(61,740)	(213,591)	(241,409)	(399,074)	(589,688)
Tax Revenues	\$244,115	\$845,265	\$954,346	\$1,577,448	\$2,340,984
Less Pass Through Payments ⁽¹⁾	(61,740)	(213,591)	(241,409)	(399,074)	(589,688)
Net Tax Revenues	\$182,375	\$631,674	\$712,937	\$1,178,374	\$1,751,296

⁽¹⁾ Pursuant to subordination requests sent by the Agency to all affected tax entities on June 16, 2006, all taxing entities have agreed, or are deemed to have agreed, in accordance with the Redevelopment Law to subordinate the receipt of their tax sharing payments to debt service on the Series 2006C Bonds.

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

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Principal Taxpayers

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

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

<u>Property Owner</u>	<u>Number of Parcels Owned</u>	<u>Type of Business</u>	<u>2006-07 Total Assessed Value</u>	<u>% of Total Assessed Value</u>	<u>% of Incremental Value</u>
Alta Bates Summit Medical Center ⁽¹⁾	34	Institutional	\$32,627,103	4.84%	10.45%
Kaiser Foundation Hospitals ⁽¹⁾	19	Institutional	26,816,786	3.97	8.59
SKB Webster LLC & Broadway Saratoga ⁽²⁾	1	Commercial	24,503,000	3.63	7.85
Terry C. & Mong Shin Lee	1	Residential	9,852,700	1.46	3.16
Lani Dy Trust	4	Commercial	7,181,156	1.06	2.30
3640 Associates & BW30 Associates LP	4	Commercial	6,426,000	0.95	2.06
Robert E. Faussner Trust	1	Residential	6,021,949	0.89	1.93
Jules M. & Geraldine A. Barsotti Trust	13	Commercial	5,867,556	0.87	1.88
Alioto Fish Company LP	1	Commercial	5,250,000	0.78	1.68
ESBC Limited Partnership	1	Commercial	4,685,771	0.69	1.50
	<u>79</u>		<u>\$129,232,021</u>	<u>19.15%</u>	<u>41.39%</u>

⁽¹⁾ All hospital buildings located in California, including the Alta Bates Summit Medical Center and the Kaiser Foundation Hospitals located in the Project Area, are subject to the seismic retrofitting requirements set forth in Sections 130000 through 130070 of the California Health and Safety Code.

⁽²⁾ Property owners with currently pending appeals. See “ – Pending Appeals for Reduction of Assessed Valuation” below.
Source: *Alameda County Assessor Secured Tax Rolls; HdL Coren & Cone.*

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Land Use

The following Table 5 presents the breakdown of land uses within the Project Area by parcel and taxable assessed value for Fiscal Year 2006-07. It is based on the lien date tax roll for fiscal year 2006-07.

Table 5
Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Area
Project Area Land Use Categories

Category	Parcels	Assessed Value	%
Residential	1,064	\$307,736,847	45.61%
Commercial	416	277,521,202	41.12
Industrial	57	26,136,477	3.87
Recreational	2	771,814	0.11
Institutional	27	7,161,188	1.06
Vacant	55	10,566,831	1.57
Exempt	40	0	0.00
SBE Non-Unitary Utilities ⁽¹⁾	--	0	0.00
Unsecured ⁽¹⁾	--	44,878,966	6.65
Totals:	1,661	\$674,673,325	100.00%

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

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

Pending Appeals for Reduction of Assessed Valuation

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

In recent years, a number of taxpayer appeals have been filed in the City. These include taxpayers in the Project Area who have applied to the Alameda County Assessment Appeals Board for reductions in assessed value of their property. As of July 11, 2006, 5.43% of the 2006-07 value of the Project Area is under appeal. The estimated reductions in the Project Area's 2007-08 Assessed Values due to all pending assessment appeals is \$1,521,107. Based on the tax increment projections of the Fiscal Consultant, the 2007-08 assessed value within the Project Area is projected to be \$696,732,888. The estimated reduction in assessed value due to all pending assessment appeals in the Project Area is 0.22% of the projected 2007-08 assessed value for the Project Area. After the impact of the estimated reductions due to pending assessment appeals has been factored into the projection, the projected 2007-08 assessed

value of the Project Area is \$695,181,359.¹ See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

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

Table 6
Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Area
10 Largest Local Taxpayers Pending Appeals
As of July 11, 2006

Property Owner	No. Parcels Owned	No. of Parcels Under Appeal	Assessed Valuation Under Appeal	Fiscal Year Value Appealed	Requested Reduction in Value
SKB Webster LLC & Broadway Saratoga	1	1	\$18,864,796	2005-06	\$3,864,796

Sources: *Alameda County Auditor-Controller and the Report of the Fiscal Consultant (see Section IV.F) attached hereto as Appendix C.*

Tax Rates

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

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

¹ Estimated. Based on historical averages, the Fiscal Consultant estimates that 3 of the 18 pending appeals will result in a reduction in assessed value and that the reduction in value for those appeals that are allowed will be 26.34%. Estimated values of loss may not be calculable from data shown herein due to rounding.

the Override Tax Rate have been omitted from the calculation of projected Tax Revenues in the Report of the Fiscal Consultant. See APPENDIX C – “REPORT OF THE FISCAL CONSULTANT.”

The Override Tax Rate levied by the City is authorized for long term funding of pension funds and has been authorized through 2026. The Override Tax Rate levied by the East Bay Regional Parks District will not be retired until 2020 and the EBMUD Special District Override Tax Rate will be retired in 2015. Override Tax Rates levied by the Oakland Unified School District prior to December 31, 1988 will be retired after fiscal year 2008-09.

All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that are applied to secured value in the Project Area for 2005-06 are as follows (for additional information, see APPENDIX C – “REPORT OF THE FISCAL CONSULTANT” on Section IV.C):

Table 7
Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Area
Tax Rates

Agency Eligible Tax Rates	%
General Levy	1.0000
Oakland U.S.D. EC 16090	.0001
East Bay Regional Park 1	.0057
EBMUD Special District 1	.0072
City of Oakland	.1575
Total Agency Eligible Tax Rate:	1.1705
Non-Agency Eligible Tax Rates	%
Oakland U.S.D. Bonds	.0779
Peralta Community College Dist.	.0238
Bay Area Rapid Transit	.0048
City of Oakland	.0459
Total Tax Rate:	1.3229

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

Allocation of Taxes

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

Teeter Plan

The County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 *et. seq.* of the State Revenue and Taxation Code. Under the Teeter Plan, each participating local agency, including cities, levying property taxes in its county may receive the amount of uncollected taxes credited to its fund in the same manner as if the amount credited had been collected. In return, the County would receive and retain delinquent payments, penalties and interest as collected, which would have been due to the local agency. However, although a local agency could receive the total levy for its property taxes without regard to actual collections, funded from a reserve established and held by the county for this purpose, the basic legal liability for property tax deficiencies at all times remains with the local agency.

The Teeter Plan is to remain in effect unless the County Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by two-thirds of the participating revenue districts in the County, in which event, the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county.

The City is not currently a participant in the Teeter Plan. However, tax increment revenue disbursements from the County to the Agency occur in a manner similar to the Teeter Plan. It is possible that in the future, tax increment revenue disbursements will not occur in such manner. See “TAX ALLOCATION FINANCING – Property Tax Collection Procedures” and “LIMITATIONS ON TAX REVENUES.”

THE AGENCY

Members, Authority and Personnel

The Agency was activated on October 11, 1956, by action of the Oakland City Council pursuant to the California Community Law. Effective December 31, 1975, the City Council declared itself to be the Agency. The members of the Agency include the President of the City Council, Ignacio De La Fuente as Chairperson of the Agency, and the other members of the City Council of the City of Oakland: Desley Brooks, Jane Brunner, Henry Chang, Jr., Patricia Kernighan, Nancy Nadel, Jean Quan and Larry Reid, Jr.

Agency staff services are provided by City staff under an agreement between the Agency and the City first entered into on December 1975. Such support includes project management, real estate acquisition and disposition, relocation, engineering and planning, legal, financing and fiscal services.

Edmund G. Brown, Jr. serves as Mayor and Chief Executive Officer of the Agency. He was elected to this position in 1998.¹

Deborah A. Edgerly serves as City Administrator and Agency Administrator. She was appointed to this position in 2003. Ms. Edgerly oversees the day-to-day operations and service delivery of the City,

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

and manages certain city-wide programs. As the City Administrator, she implements City Council policy and ensures fiscal soundness in both City and Agency operations.

William E. Noland serves as Director, Finance and Management Agency of the City and Treasurer of the Agency. He was appointed to this position in 2003. Mr. Noland oversees all aspects related to the financial operations of the City and the Agency. His financial management responsibilities include portfolio and debt management, tax collections, parking enforcement and collections, human resource management and risk management.

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

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

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

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

Administration of the Agency's projects is a staff function within the City organization framework and has been the responsibility of the Community and Economic Development Agency.

Powers

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

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

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

appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them.

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

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

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

Agency Finances

The Agency's audited financial statements for the fiscal year ending June 30, 2005, are found in APPENDIX B. The Agency's audited financial statements for the fiscal year ending June 30, 2005 have been audited by Macias, Gini & Company, LLP and Williams, Adley & Company, LLP, independent certified public accountants (collectively, the "Auditor"), as stated in the Auditor's report. The Agency has not requested the Auditor's consent to the inclusion of its report in this Official Statement and the Auditor has not undertaken to update the financial statements included as APPENDIX B or their report. The Auditor expresses no opinion with respect to any event subsequent to its report.

TAX MATTERS

Series 2006C-TE Bonds

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 2006C-TE 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, although for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the Series 2006C-TE Bonds is exempt from California personal income taxes.

The opinions set forth in the preceding paragraph are subject to the condition that the Agency and the users of the facilities financed or refinanced from the proceeds of the Series 2006C-TE Bonds comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Series 2006C-TE Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Agency have 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 2006C-TE Bonds.

If the initial offering price to the public (excluding bond houses and brokers) at which a Series 2006C-TE 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 each

Series 2006C-TE 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.

Under the 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 the Series 2006C-TE Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series 2006C-TE Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series 2006C-TE Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series 2006C-TE Bonds who purchase the Series 2006C-TE Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series 2006C-TE Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2006C-TE 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 2006C-TE Bonds under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Series 2006C-TE Bonds (said term being the shorter of the applicable maturity date of the Series 2006C-TE Bonds or the call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Series 2006C-TE Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series 2006C-TE Bond is amortized each year over the term to maturity of the Series 2006C-TE Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Series 2006C-TE Bond premium is not deductible for federal income tax purposes. Owners of premium Series 2006C-TE 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 2006C-TE Bonds.

In the further opinion of Bond Counsel, interest on the Series 2006C-TE Bonds is exempt from California personal income taxes.

The proposed form of opinion of Bond Counsel with respect to the Series 2006C-TE Bonds to be delivered on the date of issuance of the Series 2006C-TE Bonds is set forth in Appendix E – “PROPOSED FORMS OF BOND COUNSEL OPINIONS.

Owners of the Series 2006C-TE Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series 2006C-TE 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 2006C-TE Bonds other than as expressly described above.

Series 2006C-T Bonds

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

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

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

Original Issue Discount. In general, if Original Issue Discount (“OID”) is greater than a statutorily defined *de minimis* amount, a holder of a Series 2006C-T Bond must include in Federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Series 2006C-T Bond) the daily portion of OID, as it accrues (generally on a constant yield method) and regardless of the holder’s method of accounting. “OID” is the excess of (i) the “stated redemption price at maturity” over (ii) the “issue price”. “Issue price” means the first price at which a substantial amount of the Series 2006C-T Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). “Stated redemption price at maturity” means the sum of all payments, other than “qualified stated interest”, provided by such Series 2006C-T Bond. “Qualified stated interest” is stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. A holder may irrevocably elect to include in gross income all interest that accrues on a Series 2006C-T Bond using the constant-yield method, subject to certain modifications.

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

Disposition and Defeasance. Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Series 2006C-T Bond, a holder generally will

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

Circular 230 Disclaimer. To ensure compliance with requirements imposed by the Internal Revenue Service ("IRS"), Bond Counsel informs Owners of the Series 2006C-T Bonds that any U.S. federal tax advice contained in this Official Statement (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

OTHER TAX MATTERS RELATED TO THE SERIES 2006C-T BONDS

Backup Withholding

A Series 2006C-T Bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28% (although the rate is scheduled to be reduced over the next few years) with respect to interest or original issue discount on the Series 2006C-T Bonds. This withholding generally applies if the owner of a Series 2006C-T Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to 2006C-T Bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2006C-T Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

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

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

ERISA

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

CERTAIN LEGAL MATTERS

The validity of the Series 2006C Bonds and certain other legal matters are subject to the approving legal opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A copy of the proposed forms of Bond Counsel’s opinions are contained in APPENDIX E to this Official Statement, and the final opinions will be made available to the owners of the Series 2006C Bonds at the time of delivery of the Series 2006C Bonds. Certain legal matters will be passed upon for the Agency by the City Attorney of the City, as Agency Counsel, for the Authority by the City Attorney of the City of Oakland in his capacity as Authority Counsel, and for the Underwriters by Nixon Peabody LLP, San Francisco, California. Bond Counsel, Special Counsel and Underwriters’ Counsel will receive compensation that is contingent upon the sale and delivery of the Series 2006C Bonds. None of Bond Counsel, Special Counsel or Underwriters’ Counsel undertakes any responsibility to the purchasers of the Series 2006C Bonds for the accuracy, completeness or fairness of this Official Statement.

THE AUTHORITY

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

Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at a public or negotiated sale. The Series 2006C Bonds are not obligations of the Authority.

ABSENCE OF MATERIAL LITIGATION

No material litigation is pending, with service of process having been accomplished or, to the knowledge of the Agency, threatened, concerning the validity of the Series 2006C Bonds, the corporate existence of the Agency, or the title of the officers of the agency who will execute the Series 2006C Bonds as to their respective offices. The Agency will furnish to the Underwriters of the Series 2006C Bonds a certificate of the Agency as to the foregoing as of the time of the original delivery of the Series 2006C Bonds.

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga, Oakland, California, has served as Financial Advisor to the Agency with respect to the sale of the Series 2006C 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 2006C 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 2006C Bonds.

CONTINUING DISCLOSURE

The Agency has covenanted in the Continuing Disclosure Certificate for the benefit of the holders and beneficial owners of the Series 2006C Bonds to provide, or cause to be provided, Annual Reports relating to the Agency each year by not later than the date which is 9 months following the end of the fiscal year, commencing with the report for the 2005-06 Fiscal Year and to provide Material Event Notices. The Annual Reports and Material Event Notices will be filed with each National Repository and with each then existing State Repository, if any. Currently, there is no State Repository. In lieu of filing the Annual Reports and any Material Event Notices with each National Repository and each State Repository, the Agency may file any Annual Report or Material Event Notice with the Central Post Office. The covenants set forth in the Continuing Disclosure Certificate of the Agency have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Reports and in Material Event Notices is set forth in APPENDIX F – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

The Agency has never failed to comply in all material respects with any previous undertaking with regard to Rule 15c2-12(b)(5) to provide Annual Reports or Material Event Notices.

UNDERWRITING

The Series 2006C Bonds will be sold to the Authority and concurrently resold by the Authority to the underwriters of the Series 2006C Bonds (the “Underwriters”) pursuant to a bond purchase contract (the “Purchase Contract”) among the Agency, the Authority and Underwriters (for whom Morgan Stanley & Co. Incorporated is acting as representative). The Underwriters have agreed to purchase the Series 2006C-TE Bonds for \$5,140,761.02 (which represents the \$4,945,000.00 aggregate principal amount of the Series 2006C-TE Bonds, plus an original issue premium of \$215,354.75, and less an underwriters’ discount of \$19,593.73). The Underwriters have agreed to purchase the Series 2006C-T Bonds for \$12,278,202.28 (which represents the \$12,325,000.00 aggregate principal amount of the Series 2006C-T Bonds, less an underwriters’ discount of \$46,797.72).

The initial public offering prices of the Series 2006C Bonds may be changed from time to time by the Underwriters. The Purchase Contract for the Series 2006C Bonds among the Agency, the Authority and the Underwriters provides that the Underwriters will purchase all the Series 2006C Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract including, among others, the approval of certain legal matters by counsel.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies ("Standard & Poor's") have assigned the Series 2006C Bonds underlying ratings of "Baa2" and "BBB+," respectively. In addition, Moody's and Standard & Poor's have assigned ratings of "Aaa" and "AAA," respectively, to the Series 2006C Bonds with the understanding that upon delivery of the Series 2006C Bonds a financial guaranty insurance policy insuring the payment when due of principal of and interest on the Series 2006C Bonds will be issued by the Series 2006C Insurer. See "BOND INSURANCE AND RESERVE SURETY" and APPENDIX H – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY." A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2006C Bonds. An explanation of the significance of the rating may be obtained from the rating agencies as follows: Moody's Investors Service, 99 Church Street, New York, New York 10007 and Standard & Poor's Ratings Group, 55 Water Street, 38th Floor, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that they will not be reduced or withdrawn entirely by the rating agencies, or either of them, if in their, or its, judgment circumstances so warrant. The Agency has not undertaken any responsibility to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the rating may have an adverse effect on the marketability or market price of the Series 2006C Bonds.

MISCELLANEOUS

All of the preceding summaries of the Series 2006C Bonds, the Indenture, other applicable legislation, agreements and other documents are made subject to the provisions of the Series 2006C Bonds and such documents, respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

By: /s/ Deborah Edgerly
Agency Administrator

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

GENERAL INFORMATION

Overview

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

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employees’ pension funds; and the creation and organization of the Port of Oakland (the “Port”). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City’s chief elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Roland E. Smith, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2009.

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

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

FINANCIAL INFORMATION

City Budget Process

The City’s budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City’s budget is developed on the Generally Accepted Accounting Principles (“GAAP”) basis (modified accrual for

governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

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

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

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

City Financial Statement

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

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

State Budget

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

State Budget for Fiscal Year 2005-06. The 2005-06 Budget Act was passed by the State Legislature on July 7, 2005 and signed by the Governor on July 11, 2005. The 2005-06 Budget Act authorized \$113 billion in spending, of which \$90 billion was from the General Fund and \$23 billion was

from special funds, and reflected an improving State fiscal outlook resulting from better-than-expected growth in General Fund Revenues.

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

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

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

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

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

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

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

May Revision to the 2006-07 Proposed Budget. On May 12, 2006, the Governor released the May Revision to the 2006-07 Proposed Budget (the “May Revision”). The May Revision included approximately \$4.8 billion and \$2.8 billion in additional State General Fund revenues for Fiscal Years 2005-06 and 2006-07, respectively, over the original projection assumed in the 2006-07 Proposed Budget. Much of this additional revenue was attributable to the May Revision’s assumptions of increased personal

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

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

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

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City adopted its Investment Policy for Fiscal Year 2006-07 on June 20, 2006. The investment policy may be revised by the City Council at any time.

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

Current Investment Portfolio

The City currently maintains approximately \$305 million in operating funds, excluding certain restricted special revenue and pension trust funds. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The

composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of August 31, 2006.

Fitch Inc. (“Fitch”) has assigned a managed fund credit rating of “AAA” and a market-risk rating of “V-1+” to the City’s Pooled Operating Portfolio. Fitch’s managed-fund credit ratings are an assessment of the overall credit quality of a fund’s portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch’s managed-funds market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch’s managed-fund credit and market risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

**Table 1
City of Oakland
Pooled Operating
Portfolio
August 31, 2006**

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

Source: City of Oakland, Finance and Management Agency.

GENERAL FUND REVENUES

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

Property Taxation

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

allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and for pension obligations.

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

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

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

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

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

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

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

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

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies

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

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured

roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder’s Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

Source: Alameda County Auditor-Controller.

Tax Rates

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

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

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

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

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

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

Principal Property Taxpayers

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

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

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

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

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

Other Taxes

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

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

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

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

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The business license tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

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

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

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

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

Parking. The City's parking tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 10% and is applied to the gross receipts of parking facility operators.

General Fund Revenues and Expenditures

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

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

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

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

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

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

⁽⁴⁾ Includes police and fire services.

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

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

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

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

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

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

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

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

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

DEBT OBLIGATIONS

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

General Obligation Debt

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

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

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

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

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

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

Short-Term Obligations

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

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

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

Lease Obligations

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

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

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

- ⁽¹⁾ The lease payments securing these bonds are joint and several obligations of both the City and the County of Alameda. Each entity has covenanted to budget and appropriate one-half of the annual lease payments, and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding par, representing the amount that is directly attributable to the City.
- ⁽²⁾ The City entered into a floating-to-fixed swap in conjunction with these bonds issue to create a “synthetic-fixed-rate” obligation.
- ⁽³⁾ Refunded a prior lease obligation, which had refunded a pension obligation bond.

Swaps

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

City refunded the underlying bonds with proceeds from the sale of \$144,950,000 aggregate principal amount Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 (the “2005 JPFA Bonds”). The swap that was entered into on July 31, 1998 remains in effect and is set to terminate on July 31, 2021.

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

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

Pension Obligation Bonds

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

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

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

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

Table 13
City of Oakland
Annual Payments for Pension Obligation Bonds

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

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

Limited Obligations

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

Redevelopment Agency of the City of Oakland

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

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

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

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

Special Assessments

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

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

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

Enterprise Revenue Bonds

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

Estimated Direct and Overlapping Debt

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

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

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

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

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

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

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

Ratios to 2005-06 Assessed Valuation:

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

Ratios to Adjusted Assessed Valuation:

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

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

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

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

Labor Relations

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

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

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

⁽¹⁾ Currently in contract negotiations.

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

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

Source: City of Oakland Office of Personnel and Resource Management

Retirement Programs

The City maintains two closed pension systems, the Police and Fire Retirement System (“PFRS”) and the Oakland Municipal Employees Retirement System. In addition, the City is a member of the California Public Employees’ Retirement System (“PERS”), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees.

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

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

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

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

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

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The following schedule shows PFRS's recent funding progress.

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

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

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

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

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

Table 19
Police and Fire Retirement System
Projection of Future Contributions

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

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

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 80 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended June 30, 2005. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2005, the actuarially determined surplus was \$5.3 million. During

Fiscal Year 2004-05 the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS, as the plan is fully funded.

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

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

In Fiscal Year 2004, the City increased its benefits for police to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary per year of employment at age 55. In Fiscal Year 2005, the City increased its benefits for fire safety members to provide 3.0% of highest salary at age 50. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for Fiscal Year 2007-08.

Table 20
Contribution Rates
Public Employees Retirement System
City of Oakland

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

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

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

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a 15-year "smoothing" period.

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

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

Source: PERS.

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

Valuation Date <u>July 1</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	Unfunded <u>Liability</u>	Funded <u>Status</u>	Annual Covered <u>Payroll</u>	UAAL as of <u>Payroll</u>
2001	\$ 883.3	\$1,059.6	\$(176.3)	120.0%	\$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
2003	1,197.3	1,010.7	186.7	84.4	207.9	89.8
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5

Source: PERS.

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

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

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

Source: City of Oakland Comprehensive Annual Financial Reports.

Post-Retirement Health Benefits

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

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

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

Natural Hazard Risks

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

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

ECONOMIC HIGHLIGHTS

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

As the 19th largest metropolitan economy in the United States¹, Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life, comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.²

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

Housing Developments

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

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

² 2000 U.S. Census.

10K Initiative

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

Oak to Ninth Development¹

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

Coliseum Transit Village

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

Monte Vista Homes

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

¹ Certain action of the City and the Agency to approve the Preliminary Development Plan for this development has been the subject of two writs of mandates that have been filed and the supporters of an invalidated petition for referendum on the Agency's approval of this development have filed a court action seeking to reinstate the petition. Such court actions might have an unfavorable impact on this development.

Lion Creek Crossings

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

Mac Arthur Transit Village Project

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

City Limits and Artisan Walk

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

Commercial and Industrial Development

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

Fruitvale Transit Village

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

Hegenberger Gateway Shopping Center

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

Kaiser Hospital Master Plan

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

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

Estuary Cove

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

Champions Coliseum Shopping Center

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

Foothill Square

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

Population

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

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

<u>Year</u>	<u>City of Oakland</u>	<u>County of Alameda</u>	<u>State of California</u>
1980	339,337	1,109,500	23,782,000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	410,330	1,500,228	36,810,000
2006	411,755	1,510,303	37,172,015

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

Employment

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

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

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

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

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

Commercial Activity

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

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

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

Source: State Board of Equalization.

Construction Activity

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

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

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

Source: Comprehensive Annual Financial Report.

Median Household Income

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

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

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

^(a) As of January 1.

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

LITIGATION

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

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

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

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

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. The matter was heard and taken under submission on August 22, 2006. It is too early to assess whether

the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts. Even then, the litigation may continue for years before the issue of ultimate liability is resolved.

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APPENDIX B

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

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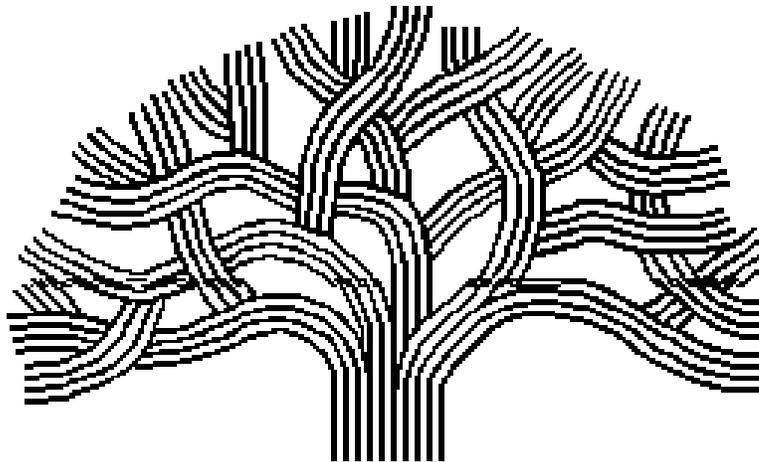
REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)



**Basic Financial Statements
and
Supplemental Information**

Fiscal Year Ended June 30, 2005

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

LaRae Brown
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, Assistant Controller

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Frank Catalya
Accountant III (ORA)

Myrna Bangloy
Budget & Operations Analyst III

Eric Parras
Accountant III (OBRA)

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

Bernadette Bangloy
Connie L. Chu
Edward Chun
Felipe Kiocho

Bruce Levitch
Lani Pallotta
Osborn Solitei
Sandra Tong
Norma Torres

Marilyn Tran
David Warner
Theresa Woo
Andy Yang

CLERICAL SUPPORT

Novette G. Flores, Administrative Assistant

SPECIAL ASSISTANCE

Katano Kasaine
David Jones

Kathleen Larson
Janet An

Donna Treglown
Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Manager's Office

City Attorney's Office
Community & Economic Development Agency

FMA-Treasury Division

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

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



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Certified Public Accountants
Management Consultants

INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
December 2, 2005

Williams, Adley & Company, LLP
Certified Public Accountants

Oakland, California
December 2, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

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

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

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

The Agency maintains eleven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Low and Moderate Housing Fund, Tax Allocation Debt Fund, and the recently created

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

Discretely Presented Component Unit – Oakland Base Reuse Authority

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

Notes to the basic financial statements. The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19-45 of this report.

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

Government-wide Financial Analysis

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

**Net Assets
Governmental Activities**

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

* Restated

Analysis of Net Assets

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$33,018,806 at the close of the fiscal year ended June 30, 2005.

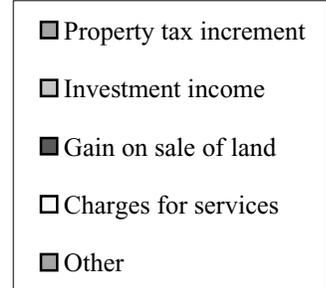
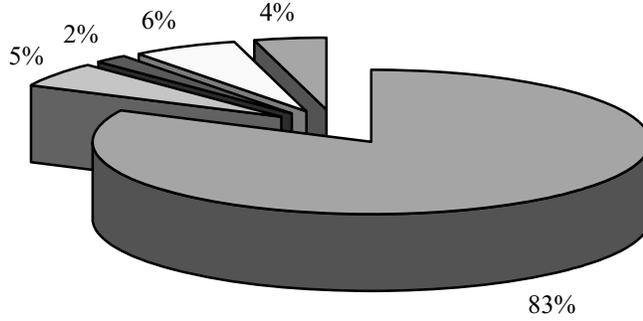
As of the end of the fiscal year, the Agency had restricted net assets of \$272,039,243. These restricted net assets include an investment of \$57,737,856 in Community Development (Property held for resale). The Agency uses Property Held for Resale to provide services to citizens; consequently, these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

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

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

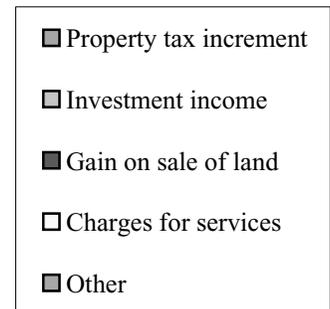
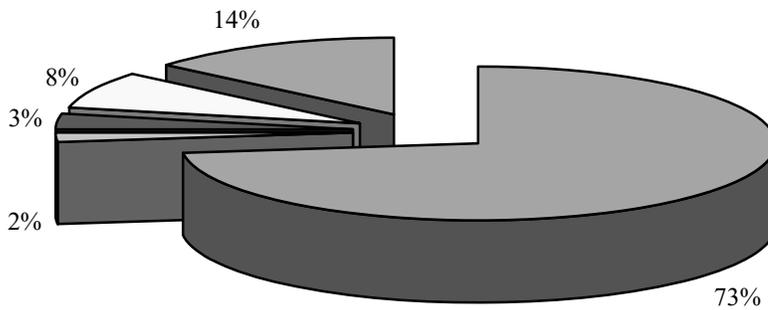
* Restated

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

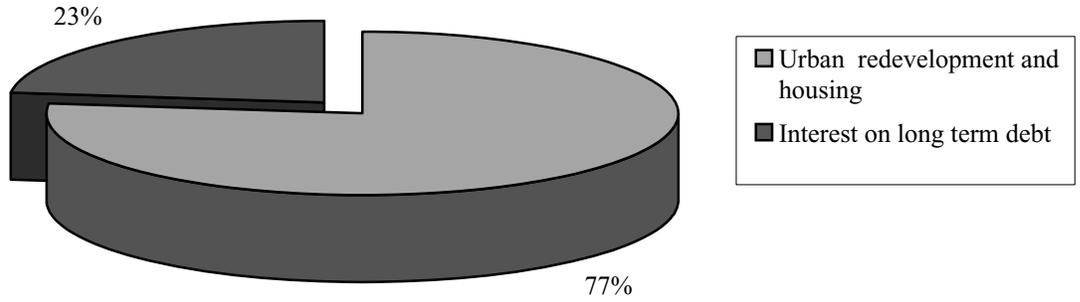


Total Revenues \$85,150,695

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

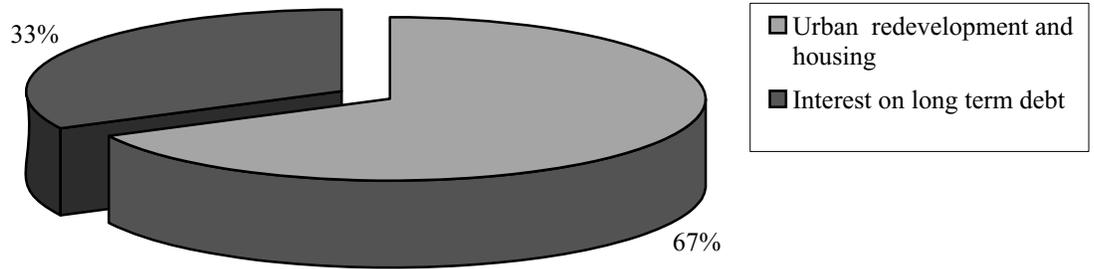


**Redevelopment Agency of Oakland
Functional Expenses
For FY 2004-05**



Total Expenditures \$68,580,447

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



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

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

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

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

Financial Analysis of the Agency's Funds

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

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

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

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

Budgetary Data

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

Capital Assets and Debt Administration

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

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

Bond Ratings

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

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

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

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

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

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

Requests for Information

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2005

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

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2005

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

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

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

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

See accompanying notes to the basic financial statements.

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

	Capital Projects					Debt Service Tax Allocation Debt	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Nonmajor Governmental Funds		
(Continued)							
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,272,829	\$ 1,272,829
Accrued liabilities	398,686	4,436,374	1,692,821	133,146	1,521,834	-	8,182,861
Due to City	1,658,305	823,064	58,471	461,034	404,619	67,622	3,473,115
Due to other government	213,280	-	-	-	-	-	213,280
Deposits	306,300	-	-	4,284	37,780	-	348,364
Deferred revenue	36,819,876	290,801	143,797	42,170,426	1,764,805	-	81,189,705
Other liabilities	1,000	-	-	-	31,281	-	32,281
TOTAL LIABILITIES	<u>39,397,447</u>	<u>5,550,239</u>	<u>1,895,089</u>	<u>42,768,890</u>	<u>3,760,319</u>	<u>1,340,451</u>	<u>94,712,435</u>
FUND BALANCES							
Reserved for property held for resale	49,700,879	-	-	-	8,036,977	-	57,737,856
Reserved for approved capital projects/activities	120,140,653	31,582,496	4,236,192	38,122,381	18,030,553	-	212,112,275
Unreserved	-	-	-	-	1,551,643	(87,368)	1,464,275
TOTAL FUND BALANCES	<u>169,841,532</u>	<u>31,582,496</u>	<u>4,236,192</u>	<u>38,122,381</u>	<u>27,619,173</u>	<u>(87,368)</u>	<u>271,314,406</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$209,238,979</u>	<u>\$37,132,735</u>	<u>\$6,131,281</u>	<u>\$80,891,271</u>	<u>\$ 31,379,492</u>	<u>\$ 1,253,083</u>	<u>\$ 330,918,806</u>

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

Long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds

Long-term liabilities, including bonds payable, accrued interest and unamortized bond premiums, are not due and payable in the current period and, therefore, are not reported in the funds

Net assets of governmental activities

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2005

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

See accompanying notes to the basic financial statements.

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

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

Net change in fund balances - total governmental funds	\$ 57,396,371
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	279,925
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.	(38,822,217)
Changes in accrued interest on bonds payable	(667,682)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed, thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	<u>(1,616,149)</u>
Change in net assets of governmental activities	<u>\$ 16,570,248</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

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

In addition, the Agency finances numerous low and moderate-income housing projects throughout the City.

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

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

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

The Agency currently has the following projects: Central District (which is segmented into several action areas including Chinatown, City Center, Uptown and City Hall Plaza); Coliseum; Central City East; Acorn; Broadway/MacArthur/San Pablo; Oakland Army Base; West Oakland; and Other Projects (Oak Center; Stanford/Adeline; and Oak Knoll). Oak Center completed planning for infrastructure improvements that will be completed in FY2005-06. Stanford/Adeline purchased a duplex to improve a blighted site and encourage homeownership. On December 21, 2004, the Agency board adopted Ordinance numbers 12642 C.M.S. and 12645 C.M.S., which extended the time limit on the effectiveness of the Redevelopment Plans for Oak Center and Stanford/Adeline to 2012 and 2016; respectively.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

Central City East Project Area

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

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

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

Discretely Presented Component Unit

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

The Agency reports the following major governmental funds:

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

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

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

Low and Moderate Housing Fund – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Agency board respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds. These funds are used to increase, improve and preserve the supply of housing within the City of Oakland available at affordable housing cost to persons or families of low and moderate income.

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

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

Revenues for Discretely Presented Component Unit

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Investments

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

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

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

The Agency's and OBRA's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2005, and reflects the values as if the entities were to liquidate the securities on that date.

Money market investments with maturities of one year or less have been stated at amortized cost.

Pooled Cash and Investments

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

Restricted Cash and Investments with Fiscal Agents

Proceeds from debt and other funds, which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement, are classified as restricted assets.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Restricted Cash in Bank and Investments

Rental revenues received from the University of California Office of the President (UCOP), Ice Rink, Preservation Park facilities, Rotunda parking lot and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

Property Held for Resale

Property held for resale is acquired as part of the Agency's and OBRA's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as incurred.

A primary function of the redevelopment process is to prepare land for specific private development.

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

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

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

Capital Assets

Capital assets are stated at historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of transfer. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

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

Facilities and structures	3 to 40 years
Furniture and fixtures	3 to 10 years
Infrastructure	3 to 5 years

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Environmental Remediation Costs

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

Fund Equity

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

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

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

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

Restricted Net Assets and Revenues

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

Tax Increment Revenue

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment.

Budgetary Data

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Deferred Revenue

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

Long-term Obligations

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

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

Estimates

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

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

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

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

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

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

(4) CASH AND INVESTMENTS

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

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

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

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

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

Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2005 the Agency's investment in LAIF is \$42,084,633 (\$17.8 million in pooled cash and investments and \$24.3 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

Custodial Credit Risk:

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

Credit Risk:

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

The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2005.

Pooled Cash and Investments

Ratings as of Fiscal Year Ended June 30, 2005

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

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

Restricted Investments

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

Concentration of Credit Risk:

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in any one issuer to no more than five percent of the total portfolio. However, the same policy stipulates that investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from this requirement. At June 30, 2005, the Agency has investment agreements with AIG Funding Co. and FSA Capital Management in the amounts of \$11,611,286 (5.3% of portfolio) and \$46,076,912 (21.1% of portfolio) respectively.

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

Pooled Cash and Investments

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

Restricted Investments

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

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 478 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

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

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

Pooled Cash and Investments

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

Restricted Investments

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

Restricted Investments in the Capital Projects and Debt Service Funds

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2005, the amounts held by the trustees aggregated \$89,528,181 of which \$87,679,141 is available to be used for restricted projects and \$1,849,040 is held in reserve accounts. All restricted investments held by trustees as of June 30, 2005 were invested in investment agreements, money market mutual funds and LAIF, and were in compliance with the bond indentures.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

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

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

Discretely Presented Component Unit

Oakland Base Reuse Authority

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

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

Deposits

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Investments

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

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

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

At June 30, 2005, the OBRA's investment in LAIF is \$1,570,486. The total amount invested by all public agencies in LAIF at that date is approximately \$18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the OBRA's position in the pool.

(5) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2005, follows:

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(6) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows:

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

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

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

Discretely Presented Component Unit

Oakland Base Reuse Authority

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

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

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

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

(7) INTERFUND TRANSFERS

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

The Central District, Coliseum, Low & Moderate Housing, and Nonmajor Governmental funds transferred funds to the Tax Allocation Debt Service fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing fund, as reflected above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of \$823,539 to Nonmajor Governmental funds from the Coliseum fund represents the 10% school set aside based from tax increments received in the Coliseum project area, net of the housing set aside and the AB1290 mandatory pass through. The transfer from the Low and Moderate Housing Fund to Central District Fund is for repayment of Henry Robinson Multi Service Center as provided in the adopted budget for fiscal year 2005. The transfer of \$120,000 between the Nonmajor Governmental funds is for professional contracts and other services for the proposed merger of the Central City East and Oak Knoll Redevelopment Project Areas.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(8) CAPITAL ASSETS

Discretely Presented Component

Oakland Base Reuse Authority

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

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

(9) LONG-TERM DEBT

General Long-Term Obligations

On January 1, 2003, the Agency defeased various bond issues namely, the Central District Redevelopment Project Area Tax Allocation Bonds, Series 1989A, the Subordinated Tax Allocation Refunding Bonds, Series 1992A, the Subordinated Tax Allocation Bonds, Series 1993A, and the Subordinated Tax Allocation Bonds, Series 1995A. These defeased bonds were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$42.3 million at June 30, 2005.

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

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

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

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

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

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

General Long-Term Obligations consist of the following:

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

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

Advances from City to the Redevelopment Agency

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

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

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

Bond Indentures

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

Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2005.

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2005, there were two series of certificates outstanding with an aggregate principal amount payable of \$21,426,798. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

OAKLAND BASE REUSE AUTHORITY

Note Payable

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

Principal and interest payments are due on the following dates:

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

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

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

(10) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represents reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2005, the Agency reimbursed the City \$13,045,474 for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$4,021,793 for the fiscal year ended June 30, 2005; \$2,554,132 in principal and \$1,467,661 in interest.

(11) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2005, the Agency has entered into contractual commitments of approximately \$3,630,167 for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2005, the Agency was committed to fund \$19,879,936 in loans and had issued \$1,648,600 in letters of credit in connection with several low and moderate income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

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

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Oakland Renaissance NMTC, Inc.

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

Oakland Base Reuse Authority

Environmental Remediation

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA is responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA has received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, \$5.0 million has been received.

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Notes to Basic Financial Statements

June 30, 2005

Oakland Army Base Workforce Development Collaborative

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

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

Lease Revenues

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

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

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

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

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

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

(12) SUBSEQUENT EVENT

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

On October 28, 2005, the Redevelopment Agency of the City of Oakland (the "Agency") issued \$160,000,000 of Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A ("2005 Bonds"). The Agency acted as a conduit issuer to provide funds to make a loan to Uptown Housing Partners, L.P., a California limited partnership, in order to finance, along with certain other amounts, the construction, and equipping of the multifamily rental housing development located in Oakland, California (the "Project"). A portion of the units in the Project will be reserved for low-income tenants. The 2005 Bonds, set to mature on October 1, 2050, were issued as a private placement with an effective interest rate of 6.20%. The 2005 Bonds do not constitute an indebtedness of the Agency as they were issued as a conduit financing; neither the full

faith and credit nor taxing authority of the Agency, State of California, or any political subdivision is obligated for the payment of the principal or interest on the 2005 Bonds. The 2005 Bonds are payable solely from revenue sources and receipts defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indenture.

(13) RESTATEMENT OF NET ASSETS

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

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

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

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

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

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

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

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



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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

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

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, the results of our tests did disclose an instance of noncompliance that is required to be reported under the *Guidelines for Compliance Audits of California Redevelopment Agencies*, which is described in the accompanying schedule of findings as finding no. 05-1.

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

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
December 2, 2005

Williams, Atkey & Company LLP
Certified Public Accountants

Oakland, California
December 2, 2005

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

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

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

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

The identified reports were not filed in a timely manner.

Recommendation

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

Management's Response

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

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Appendix C
THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
BROADWAY/MACARTHUR/SAN PABLO REDEVELOPMENT PROJECT

Tax Allocation Bonds
Series 2006C-TE and Series 2006C-T (Federally Taxable)

PROJECTED TAXABLE VALUES AND
ANTICIPATED TAX INCREMENT REVENUES

August 24, 2006

I. Introduction

The Redevelopment Agency of the City of Oakland (the Agency) is proposing to issue its Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE and Series 2006C-T (Federally Taxable) (both Series together referred to as the Bonds) secured by the Tax Revenues derived from the Agency’s Broadway/MacArthur/San Pablo Redevelopment Project (the “Project Area”). The Bonds will be issued for the purpose of financing certain redevelopment activities within or to the benefit of the Project Area; to satisfy the reserve requirements of the Bonds; and, to pay the costs associated with the issuance of the Bonds.

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

The purpose of this Fiscal Consultant’s Report is to examine the assessed values for the current fiscal year and project for ten fiscal years the amount of Tax Revenue to be received by the Agency from the Project Area. For purposes of this report, Tax Revenues are Gross Tax Increment Revenue and Unitary Revenues less SB 2557 County Administrative charges and the Housing Set-Aside Requirement. Net Tax Revenues are Tax Revenues less payment of those obligations with a lien on Tax Revenues that is subordinate to the pledge of Tax Revenues to payment of debt service on the Bonds. As a result of our research, we project the Tax Revenue for the Project Area to be as shown in Table A below (000’s omitted):

Table A
Projected Tax Revenues

Fiscal Year	Gross Revenues	SB2557 Admin. Fee	Housing Set-Aside	Tax Revenues
2006-07	\$ 3,655	(\$ 22)	(\$ 731)	\$ 2,902
2007-08	3,893	(23)	(779)	3,091
2008-09	4,035	(24)	(807)	3,204
2009-10	4,180	(25)	(836)	3,319
2010-11	4,328	(26)	(866)	3,436
2011-12	4,478	(27)	(896)	3,556
2012-13	4,632	(28)	(926)	3,678
2013-14	4,788	(29)	(958)	3,802
2014-15	4,948	(30)	(990)	3,928
2015-16	5,110	(31)	(1,022)	4,057

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

The taxable values of property and the resulting Tax Revenues summarized above are reflected on Table 1 of each set of projections that are attached to this report. As defined above, Tax Revenues reflect the Agency's revenues after provision for property tax administration charges by the County (See Section IV G) and the Housing Set-Aside Requirement (See Section V). These projections are based on assumptions determined by our review of the taxable value history of the Project Area and the property tax assessment and property tax apportionment procedures of Alameda County (the County). Future year assessed values and Tax Revenues are projections based upon the assumptions described in this Report, and are not guaranteed as to accuracy, and this Report is not to be construed as a representation of such by HdL Coren & Cone (HdLCC).

II. The Project Area

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

A. Land Use

The following Table B illustrates the breakdown of land uses within the Project Area by taxable assessed value for Fiscal Year 2006-07. It is based on the lien date tax roll for fiscal year 2006-07. Numbers of parcels are not shown for Unsecured values and values connected with Non-Unitary Utilities because these are property tax billings that are associated with secured parcels already accounted for in other categories.

**Table B
Project Area Land Use Categories**

Category	Parcels	Assessed Value	%
Residential	1,064	\$307,736,847	45.61%
Commercial	416	\$277,521,202	41.12%
Industrial	57	\$26,136,477	3.87%
Recreational	2	\$771,814	0.11%
Institutional	27	\$7,161,188	1.06%
Vacant	55	\$10,566,831	1.57%
Exempt	40	\$0	0.00%
SBE Non-Unitary Utilities		\$0	0.00%
Unsecured		\$44,878,966	6.65%
Totals:	1,661	\$674,673,325	100.00%

B. Redevelopment Plan Limits

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

Pursuant to Senate Bill 1045 (see Section VI) the City Council may extend the term of the Project Area's redevelopment plan effectiveness. The City Council has not yet acted to extend the redevelopment plan effectiveness for the Project Area. We have assumed in the projections that the Project Area will not be

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

extended by one year pursuant to SB 1045. While it is likely that this one year extension will ultimately be adopted for the Project Area, such action cannot be guaranteed.

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

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

**Table C
Applicable Redevelopment Plan Limits**

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

III. Project Area Assessed Values

A. Assessed Values

Taxable values are prepared and reported by the County Auditor-Controller each fiscal year and represent the aggregation of all locally assessed properties that are part of the Project Area. The assessments are assigned to Tax Rate Areas (TRA) that are coterminous to the boundaries of the Project Area. The historic reported taxable values for the Project Area were reviewed in order to ascertain the rate of taxable property valuation growth over the six fiscal years of the Project Area's existence beginning with 2001-02 (see Table 3 for the Project Area). The following Table D outlines primary points of interest in assessed value history for the Project Area.

**Table D
Historical Assessed Values**

<u>No. of Fiscal Year Values Available and Reviewed</u>	<u>2006-07 Incremental Value</u>	<u>Change in Value From 2005-06</u>	<u>Change in Value from First Year Reviewed</u>	<u>% Change From First Year Reviewed</u>
6	\$312,237,676	\$109,700,143	\$249,345,280	58.62%

Overall the strong real estate market in the Bay Area was manifested in substantial growth in the Agency's Project Area.

B. Top Ten Taxable Property Owners

A review of the top ten taxable property owners in the Project Area for fiscal year 2006-07 was conducted. A list of the top ten property owners for the Project Area, and the number of parcels attributed to each

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

owner, are presented on Table 4 of the tax increment projection. One of the top ten taxpayers in the Project Area has an assessment appeal that is currently pending. The table below illustrates the values and percentages of total and incremental values attributable to the top ten taxpayers within the Project Area.

**Table E
Top Ten Taxpayer Assessed Values**

<u>Top 10 Taxpayers Combined Assessed Value</u>	<u>Project Area Assessed Value</u>	<u>Top 10 Taxpayers % of Assessed Value</u>	<u>Project Area Incremental Value</u>	<u>Top 10 Taxpayers % of Incremental Value</u>
\$129,232,021	\$674,673,325	19.15%	\$312,237,676	41.39%

Despite the large amount of assessed value within the Project Area, the concentration of incremental value among the top ten taxpayers is high. This high concentration is mainly attributable to the fact that the Project Area is only five years old and it has not had sufficient time to develop significant diversity of value. The concentration of value among the top tax payers is declining annually. The top ten taxpayers controlled value that was 60.66% of the Project Area's total incremental value in 2005-06. For 2006-07 the top ten taxpayers control assessed value that is 41.39% of the Project Area's total incremental value.

IV. Tax Allocation and Disbursement

A. Property Taxes

The taxable values of secured and unsecured property are established each year on the January 1 property tax lien date. Real property reflects the reported assessed values for secured and unsecured land and improvements. Pursuant to Article XIII A of the State Constitution the value of locally assessed real property may only be increased up to two percent annually to reflect inflation. Real property values are also permitted to increase as a result of a change of ownership or new construction. Utility property assessed by the State Board of Equalization may be revalued annually and such assessments are not subject to the inflation limitations of Article XIII A. The taxable value of personal property is also established on the lien dates and is not subject to the annual two percent limit of locally assessed real property. Secured property includes property on which any property tax levied by a county becomes a lien on that property. Unsecured property typically includes value for tenant improvements, fixtures and personal property. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on certain other secured property owned by the taxpayer. The taxes levied on unsecured property are levied at the previous year's secured property tax rate.

B. Supplemental Assessments

Chapter 498 of the Statutes of 1983 provides for the reassessment of property upon a change of ownership or completion of new construction. Such reassessment is referred to as the Supplemental Assessment. It is determined by applying the current year's tax rate to the amount of increase in a property's value and prorating the resulting property taxes to reflect the portion of the tax year remaining as determined by the date of the change in ownership or completion of new construction. Supplemental Assessments become a lien against Real Property. Since 1984-85 revenues derived from Supplemental Assessments have been allocated to redevelopment agencies and taxing entities in the same manner as regularly collected property taxes. The receipt of Supplemental Tax Revenues by taxing entities typically follows the change of ownership by a year or more. We have **not** included revenues resulting from Supplemental Assessments in our projections. Table F below illustrates the amounts of supplemental revenue allocated to the Project Area for fiscal years 2001-02 through 2005-06.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

**Table F
Supplemental Revenue History**

<u>Fiscal Years</u>	<u>Supplemental Revenue</u>
2001-02	0
2002-03	179,850
2003-04	9,987
2004-05	244,553
2005-06	<u>577,266</u>
Cumulative Totals	1,011,656

C. Tax Rates

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

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

A Tax Rate Area consists of a geographic area where the taxes on all property are levied by the same taxing entities at the same rate. Because the 2006-07 secured tax rates are not yet available, the projections of secured revenue are based on the 2005-06 tax rates. The projections of unsecured revenue properly use the 2005-06 secured tax rates. All of the tax rate areas within the Project Area have the same tax rate. The components of the tax rate that is applied to secured value in the Project Area for 2005-06 are as follows:

<u>RDA Eligible Tax Rates</u>	<u>%</u>
General Levy	1.0000
Oakland U.S.D. EC 16090	.0001
East Bay Regional Park 1	.0057
EBMUD Special District 1	.0072
City of Oakland	<u>.1575</u>
Total RDA Eligible Tax Rate:	1.1705
<u>Non-RDA Eligible Tax Rates</u>	
Oakland U.S.D. Bonds	.0779
Peralta Community College Dist.	.0238
Bay Area Rapid Transit	.0048
City of Oakland	<u>.0459</u>
Total Tax Rate:	1.3229

The Override Rate levied by the City of Oakland is authorized for long term funding of pension funds and has been authorized through 2026. The Override Rate levied by the East Bay Regional Parks District will

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

not be retired until 2020 and the EBMUD Special District override rate will be retired in 2015. Override rates levied by the Oakland Unified School District prior to December 31, 1988 will be retired after fiscal year 2008-09. We have incorporated the appropriate retirement dates of these Override Tax Rates in the projection and have assumed the combined RDA eligible portion of the override tax rates will decline to only the one percent general tax levy after the expiration or retirement of the existing Override Rates authorized prior to December 31, 1988.

D. Allocation of Taxes

Taxes are due in two equal installments. Installments of taxes levied upon secured property become delinquent on December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent August 31. The County disburses tax increment revenue to all redevelopment agencies in two equal installments that are typically made in December and May of each fiscal year. The County allocates supplemental revenues to redevelopment agencies in two installments. The first is allocated in March and includes such supplemental roll collections as have been received through January 31 of the fiscal year. The second allocation is made in June and includes supplemental roll collections as have been received through May 31 of the fiscal year. Unitary utility revenues may be allocated with any of the four normal remittances but is primarily allocated in December and May with roughly half being allocated in each remittance.

Based on the tax increment allocation methodology used in Alameda County redevelopment agencies receive 100 percent of the taxes levied on the extended tax roll without regard to roll corrections, delinquency and refunds. The tax revenues of the Agency are not subject to revenue loss due to delinquencies or gains due to redemption of unpaid taxes. The interpretation of the Law under which the Auditor-Controller allocates tax increment revenue is consistent with the interpretations of a number of other counties in the State.

E. Annual Tax Receipts to Tax Levy

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

F. Assessment Appeals

A review of assessment appeals data provided by the County has been made. Assessment appeals for 1999-00 through July 11, 2006 were included in the data. There was a large drop-off of appeal activity after the mid-1990's and the Agency was subjected to little in the way of value losses due to appeals since then. The number and size of assessment appeals is, however, once again increasing. Based on the assessment appeal activity since 1999-00 we have determined the number of appeals filed, the number allowed and denied and the average amounts of value that these appeals are successful in removing from the tax rolls. The averages are then used to make estimations of the number of appeals that may be approved and the estimated amount of value loss that will be experienced. The estimated reductions in value from pending assessment appeals are incorporated into our projection of Tax Revenue. Table G below summarizes our estimates:

**Table G
Assessment Appeals Summary**

<u>Total No. of Appeals</u>	<u>No. of Resolved Appeals</u>	<u>No. of Successful Appeals</u>	<u>Average Reduction</u>	<u>No. & Value of Appeals Pending</u>	<u>Est. No. of Appeals Allowed</u>	<u>Est. Reduction on Pending Appeals Allowed (2007-08 Value Adjustment)</u>
55	37	6	26.34%	18 (\$35,607,374)	3	\$ 1,521,107

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

The Project Area assessed values for 2007-08 are projected to be \$696,732,888. The estimated reduction of assessed values due to pending assessment appeals for 2007-08 is 0.22% of the projected assessed values. After factoring in the estimated reduction of values due to pending assessment appeals, the 2007-08 assessed values are reduced to \$695,181,359.

Our estimates of value loss due to assessment appeals are based on historic averages. The average number of resolved assessment appeals that resulted in reductions of value and the average reduction in value for those successful appeals are factored against the number of assessment appeals that are currently pending. Using these averages we estimate the number of pending appeals that may be allowed and the amount of value reduction that may be expected from these potentially successful appeals. The estimated reduction in value is deducted from the projected values for 2007-08. Actual reductions in value resulting from actions by the County Appeals Board may vary significantly from historical averages. HdLCC makes no representation that our estimates will be realized.

Only one of the top ten taxpayers has filed an assessment appeal during the period reviewed. There is a pending assessment appeal on the property owned by the number three taxpayer, SKB Webster LLC & Broadway Saratoga. The owner is appealing their 2005-06 valuation of \$18,864,796 and seeking a reduction of that value to \$15,000,000. If the appeal is fully successful the maximum reduction in value that can be expected is \$3,864,796.

G. County Property Tax Collection Reimbursement

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

The Property Tax Collection Reimbursement charge for 2005-06 was \$17,766. This amount was 0.60% of the Project Area's Gross Revenue. For purposes of this projection, it is assumed that the Property Tax Collection Reimbursement will continue to be 0.60% of the Project Area's Gross Revenue.

H. Allocation of State Assessed Unitary Taxes

Legislation enacted in 1986 (Chapter 1457) and 1987 (Chapter 921) provided for a modification of the distribution of tax revenues derived from utility property assessed by the State Board of Equalization (SBE), other than railroads. Prior to the 1988-89 fiscal year, property assessed by the SBE was assessed statewide and was allocated according to the location of individual components of a utility in a tax rate area. Commencing in 1988-89, tax revenues derived from unitary property that is assessed by the SBE is accumulated in a single Tax Rate Area for the County. Tax revenues are then distributed to each taxing entity in the County in the following manner: (1) each taxing entity will receive the same amount as in the previous year plus increases of up to two percent; (2) if utility tax revenues are insufficient to provide the same amount as in the previous year, each taxing entity's share would be reduced pro-rata county wide; and (3) any increase in revenue above two percent would be allocated in the same proportion as the taxing entity's local secured and taxable values are to the local secured taxable values of the County.

To administer the allocation of unitary tax revenues to redevelopment agencies, the County no longer includes the taxable value of utilities as part of the reported taxable values of the Project Area. As a result the base year values of project areas were reduced by the amount of utility value that existed originally in the base year value. Because the Project Area was adopted after 1994, the amount of unitary revenue allocated to it is very small and is limited to amounts generated by annual utility value growth that was in excess of two percent. The County Auditor-Controller allocated unitary revenue to the Project Area for 2005-06 in the amount of \$454. Unitary revenues throughout Northern California have been reduced over the past two years as the result of several very large and successful assessment appeals by Pacific Gas and Electric. We have assumed that the utility tax revenue will remain constant in future years.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

V. Low and Moderate Income Housing Set-Aside

All redevelopment agencies are required to set aside 20 percent of all project area tax increment revenues into a low and moderate income housing fund (the Housing Set-Aside Revenues). An agency can reduce the Housing Set-Aside Revenues if it annually makes certain prescribed determinations that are consistent with the housing element of the general plan. These findings are: (1) that no need exists in the community to improve, increase or preserve the supply of low and moderate income housing; or, (2) some stated percentage less than 20 percent of the tax increment is sufficient to meet the housing need. In order to make findings (1) or (2), the Agency's finding must be consistent with the housing element of the community's general plan, including its share of the regional housing needs of very low income households and persons and families of low or moderate income. While such findings were made by the Agency in prior years, no such findings have in recent years been made by the Agency. As a result, 20 percent of gross revenue has been projected as being set aside from the Project Area. The Agency has voluntarily determined to set-aside an additional five percent of Project Area revenues for furtherance of affordable housing. This additional five percent of Project Area revenues is to be set-aside only in those years when debt service coverage is in excess of 1.2 times debt service. This additional set-aside amount is reflected as subordinate to the pledge of Tax Revenues for payment of debt service on the Bonds.

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

VI. Legislation

SB 211 was signed into law as Chapter 741, Statutes of 2001. This legislation has two main impacts on the limits contained in an agency's redevelopment plan. First, the City Council may eliminate the time limit to establish indebtedness in Project Areas adopted prior to January 1, 1994 by ordinance. If the Plan is so amended, any existing tax sharing agreements will continue and certain statutory tax sharing for entities without tax sharing agreements will commence in the year the eliminated limit would have taken effect. Second, the City Council may extend the time limit for plan effectiveness and repayment of debt for up to ten years if it can make certain specified findings. The Project Area was adopted after January 1, 1994 and, therefore, may not be amended pursuant to this statute.

In order to address State Budget deficits, the Legislature enacted SB 614, SB 844 and SB 1135 that required payments from redevelopment agencies for the 1992-93, 1993-94 and 1994-95 fiscal years into a countywide Education Revenue Augmentation Fund (the ERAF). The Agency could have used any funds legally available and not legally obligated for other uses, including 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. An agency could have reduced its payment due to existing indebtedness, contractual obligations and 90 percent of 1991-93 administrative costs (collectively, Existing Obligations). If an agency could not make the required payment due to Existing Obligations, it could have borrowed up to 50 percent of its 1992-93 contribution to the Housing Fund (which must be repaid within ten years), or the agency was required to obtain a loan from the city/county in order to pay the difference between what the agency pays and the total amount due. For agencies that did not borrow to meet any shortfall of the required payment, the county auditor-controller was required to deduct any amount due from the city/county's allocation of property taxes. This obligation applied to the agency and not to specific Project Areas. According to the Agency, it has no outstanding ERAF obligations. In addition to the payments from redevelopment agencies periodic State budget solutions have involved the shifting of property tax revenues from cities, counties and special districts to the ERAF.

From 1995-96 to 2001-02 state budgets were adopted with no additional shifting of tax increment from redevelopment agencies, however, the 2002-03 State Budget required a shift of \$75 million of tax increment

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

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 Agency was \$1,267,072 for fiscal year 2002-03 only. The Agency made the required payment 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 revenue that was transferred by the Agency to Alameda County for 2003-04 was \$2,380,469. The Agency made this payment to the County by the May 10, 2004 deadline.

Under the Law as amended by SB 1045, the Agency was authorized to use a simplified methodology to amend the individual redevelopment plans to extend by one year the effectiveness of the plan and the time during which the Agency may repay debt with tax increment revenues. In addition, the amount of this payment and the ERAF payments made in prior years may be deducted from the amount of the Project Area's cumulative tax increment revenues. The City Council has not extended the redevelopment plan expiration date for the Project Area. By approving such an amendment, the City Council may extend by one year the effective life of the Project Area and the period within which the Agency may repay indebtedness from tax increment revenues. Since the extension has not been considered by the City Council, the extensions of time have not been reflected in the projections or 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. Based on SB 1096, redevelopment agencies within the State lost \$250 million to ERAF in each of fiscal years 2004-05 and 2005-06. Annual payments continued to be due on May 10 of each fiscal year. As in previous years, payments could be made from any available funds other than the Housing Fund. If an agency was unable to make a payment, it was allowed to borrow up to 50 percent of the current year Housing Set-Aside Revenues, however, the borrowed amount was to be repaid to the Housing Fund within 10 years of the last ERAF payment (May 10, 2006). The Agency's portion of the statewide ERAF requirement for 2004-05 was \$4,706,826. The 2005-06 payment was \$4,669,367. According to the Agency, all ERAF payments were made without borrowing from the Housing Fund.

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 percent of gross tax increment revenue; 2) housing implementation plans are in place; 3) replacement housing and inclusionary housing requirements are being met; and, 4) no excess surplus exists. If a redevelopment plan has more than 20 years of effectiveness remaining after June 30, 2005, it may not be extended. The Project Area is not eligible for extension under SB 1096.

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

VII. Statutory Tax Sharing Obligations

The Project Area was adopted after January 1, 1994 and is, therefore, subject to the Law as it was amended by passage of AB 1290. As amended, the Law requires that for project areas adopted after January 1, 1994,

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

a prescribed portion of the Agency's tax increment revenue must be shared with all taxing entities within the project area. This defined tax-sharing amount has three tiers. The first tier begins with the first year that the project area receives tax increment revenue and continues for the life of the project area. This first tier tax-sharing amount is 25 percent of the Agency's gross tax increment revenue net of the Housing Set-Aside Revenues.

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

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

Section 33607.5(e) of the Law specifies a procedure whereby the Agency may request subordination of the statutory tax sharing payments to payment of debt service on the Bonds by all of the Project Area's taxing entities. As part of this request, the Agency must provide substantial evidence to the taxing entities that it will have sufficient funds to make the debt service payments on the Bonds as well as making the required statutory tax sharing payments.

The taxing entities may respond and agree to the subordination request, they may do nothing and after 45 days be deemed to have agreed to the subordination or they may disapprove the subordination request. A taxing entity may disapprove a subordination request only if it believes based on substantial evidence that the Agency's financial estimates are incorrect and that the Agency will not be able to make debt service and the tax sharing payments. It is the Agency's belief that sufficient evidence can be provided to warrant subordination of the tax sharing payments and that no later than 45 days from receipt of the notice by the taxing entities, the tax sharing payments will be subordinate to the payment of debt service on the Bonds. We have assumed in the projection that the statutory tax sharing payments will be subordinated to the payment of debt service on the Bonds.

VIII. Recent Legal Decisions

Santa Ana Decision

The State Court of Appeals recently upheld a Superior Court decision which held the Santa Ana School District had the right to receive payments from the Orange County Redevelopment Agency pursuant to a resolution adopted by the School District in 1996 under former Section 33676(a) of the Law (Santa Ana Unified School District v. Orange County Redevelopment Agency; App. 4 Dist. 2001 108 Cal. Rptr.2d 770, 90 Cal. App 4th 404, review denied). Former Section 33676(a)(2) provided that, unless a negotiated tax sharing agreement had been entered into, upon passage of a resolution prior to adoption of a redevelopment plan, affected taxing agencies and every school and community college district could elect to be allocated increases in the assessed value of taxable property in the project area based on inflation growth (the 2% Property Tax Increase). Former Section 33676(a)(2) was repealed as part of major revisions made to the Law pursuant to the Reform Act of 1993 (AB 1290).

The changes to the Law contained in AB1290 were effective as of January 1, 1994. The Court of Appeals affirmed the lower court ruling that due to an amendment to former Section 33676(a) that was adopted in 1984 and became effective on January 1, 1985, school and community college districts were to automatically receive the 2% Property Tax Increase even without adopting the appropriate resolution prior to the adoption of a redevelopment plan.

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

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

Seal Beach Decision

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

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

IX. Transfers of Ownership

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

Transfers of ownership that have occurred after January 1, 2006 are assumed to result in additions or reductions in value for fiscal year 2007-08. A survey of ownership transfers that occurred between January 1, 2006 and June 15, 2006 was conducted for the Project Area. Those transfers of ownership that did not result from sales or were from some other event that would trigger a reappraisal by the Assessor were ignored. The sale prices of the property for those other transfers that will result in reappraisal by the Assessor were estimated from the recorders stamps that are placed on the recorded titles. These stamps are directly correlated with the sales price of the property whose title is being transferred. The change in value between the 2006-07 values for each parcel and the new values established by the property sale were incorporated into the projections for 2007-08. These sales resulted in additions to the projected values for 2007-08 in the Project Area. These values are listed in Table H below.

Table H
Value Added by Transfers of Ownership

Number of Transfers	29
2007-08 Value Adjustment	\$10,092,044

X. Trended Taxable Value Growth

Growth in real property land and improvement values have been limited to an assumed rate of growth of real property taxable values of two percent annually as allowed under Article XIII A of the State Constitution. A

**Redevelopment Agency of the City of Oakland
Fiscal Consultant's Report
August 24, 2006**

two percent growth rate has been assumed because it is the maximum inflationary growth rate permitted by law and this rate of growth has been achieved in all but four years since 1981. The years in which less than two percent growth was realized were 1983-84 (1.0%), 1995-96 (1.19%), 1996-97 (1.11%) and 1999-00 (1.85%) and 2004-05 (1.867%). If in future years the growth of taxable value in the project area is less than two percent, the resultant Tax Increment Revenues would be reduced.

HdL Coren & Cone make no representation that taxable values will actually grow at two percent. Future values will also be affected by changes of ownership and new construction not reflected in our projections. In addition, the values of property previously reduced in value due to assessment appeals based on reduced market values could increase more than two percent when real estate values increase more than two percent (see Section IV A above). Seismic activity and environmental conditions such as hazardous substances that are not anticipated in this report might also impact property taxes and Tax Increment Revenue.

HdL Coren & Cone makes no representation that taxable values will actually grow at the rate projected. Anticipated revenues could be adjusted as a result of unidentified assessment appeal refunds, other Assessor corrections discussed previously, or unanticipated increases or decreases in property tax values. Estimated valuations from developments included in this analysis are based upon our understanding of the general practices of the Alameda County Assessor and Auditor-Controller's Office. General assessment practices are subject to policy changes, legislative changes, and the individual appraiser's judgment. While we believe our estimates to be reasonable, taxable values resulting from actual appraisals may vary from the amounts assumed in the projections.

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

Projection of Incremental Taxable Value & Tax Increment Revenue

(000's Omitted)

Table 1

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Taxable Values (1)	598,376	618,884	631,262	643,887	656,765	669,900	683,298	696,964	710,903	725,121
Real Property (2)	76,297	76,297	76,297	76,297	76,297	76,297	76,297	76,297	76,297	76,297
Personal Property (3)	674,673	695,181	707,559	720,184	733,062	746,197	759,595	773,261	787,201	801,419
Total Projected Value	312,238	332,746	345,123	357,749	370,626	383,762	397,160	410,826	424,765	438,983
Taxable Value over Base	362,436									
Gross Tax Increment Revenue (4)	3,655	3,892	4,035	4,180	4,327	4,478	4,631	4,788	4,947	5,110
Unitary Tax Revenue (5)	0	0	0	0	0	0	0	0	0	0
Gross Revenues	3,655	3,893	4,035	4,180	4,328	4,478	4,632	4,788	4,948	5,110
SB 2557 Admin. Fee (6)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
Housing Set Aside Requirement (7)	(731)	(779)	(807)	(836)	(866)	(896)	(926)	(958)	(990)	(1,022)
Tax Revenues	2,902	3,091	3,204	3,319	3,436	3,556	3,678	3,802	3,928	4,057
<i>Subordinate Payments</i>										
Tier 1 Passthrough to All Taxing Entities (8)	(731)	(779)	(807)	(836)	(866)	(896)	(926)	(958)	(990)	(1,022)
Tier 2 Passthrough to All Taxing Entities (8)	0	0	0	0	0	(26)	(52)	(79)	(106)	(134)
Tier 3 Passthrough to All Taxing Entities (8)	0	0	0	0	0	0	0	0	0	0
Added Housing Set-Aside (7)	(183)	(195)	(202)	(209)	(216)	(224)	(232)	(239)	(247)	(255)
Net Tax Revenues	1,988	2,118	2,195	2,274	2,354	2,410	2,468	2,526	2,586	2,646

- (1) Taxable values as reported by Alameda County.
- (2) Real property consists of land and improvements. Increased for inflation at 2% annually and for transfers of ownership that have occurred after the January 1, 2006 lien date for fiscal year 2006-07 (See Table 5). Values for 2006-07 are reduced by \$1,521,107 for projected losses due to currently pending assessment appeals.
- (3) Personal property is held constant at 2006-07 level.
- (4) Projected Gross Tax Increment is based upon incremental taxable values factored against an assumed Project tax rate and adjusted for indebtedness approved by voters after 1988. The assumed future tax rates decline to \$1.1632 per \$100 over 10 years and remain at that amount through 2019-20 when the East Bay Recreation & Parks override rate is eliminated. The remaining City over ride rate remains in effect until it expires and is eliminated in 2027.
- (5) Unitary Revenue is held constant at 2005-06 level.
- (6) County Administration fee is estimated at 0.60% of Gross Revenue.
- (7) Housing Set Aside Requirement is calculated at 20% of Gross Revenue. The Agency has at it's own election chosen to set aside an additional 5% of Gross Revenue into the Housing Fund. This additional amount of Housing Set-Aside is not considered for purposes of debt service payments on the Bonds.
- (8) Pursuant to H & S Code Section 33607.5 Taxing Entities receive their shares of 25% of total tax increment revenue net of housing set aside (Tier 1). In addition, after year 10 Taxing Entities receive 21% of tax revenue on incremental value above the year 10 value net of housing set aside (Tier 2). After year 30 Taxing Entities receive 14% of tax revenue on incremental value above the year 30 value net of housing set aside (Tier 3). The City of Oakland is considered a taxing entity and has elected to receive its share of this pass through amount. These tax sharing payments are subordinate to payment of debt service on the Bonds.

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

Table 2
 (000s Omitted)

	Total Taxable Value	Taxable Value Over Base	Gross Tax Revenue	SB 2557 Charge	Housing Set-Aside	Tax Revenues	Subordinate Statutory Tax Sharing Payments			Added Housing Set-Aside	Net Tax Revenues
							Tier 1	Tier 2	Tier 3		
1 2006-07	674,673	312,238	3,655	(22)	(731)	2,902	(731)	0	0	(183)	1,988
2 2007-08	695,181	332,746	3,893	(23)	(779)	3,091	(779)	0	0	(195)	2,118
3 2008-09	707,559	345,123	4,035	(24)	(807)	3,204	(807)	0	0	(202)	2,195
4 2009-10	720,184	357,749	4,180	(25)	(836)	3,319	(836)	0	0	(209)	2,274
5 2010-11	733,062	370,626	4,328	(26)	(866)	3,436	(866)	0	0	(216)	2,354
6 2011-12	746,197	383,762	4,478	(27)	(896)	3,556	(896)	0	0	(224)	2,410
7 2012-13	759,595	397,160	4,632	(28)	(926)	3,678	(926)	0	0	(232)	2,468
8 2013-14	773,261	410,826	4,788	(29)	(956)	3,802	(956)	0	0	(239)	2,526
9 2014-15	787,201	424,765	4,948	(30)	(990)	3,928	(990)	0	0	(247)	2,586
10 2015-16	801,419	438,983	5,110	(31)	(1,022)	4,057	(1,022)	0	0	(255)	2,646
11 2016-17	815,921	453,485	5,275	(32)	(1,055)	4,189	(1,055)	0	0	(264)	2,708
12 2017-18	830,714	468,278	5,447	(33)	(1,089)	4,325	(1,089)	0	0	(272)	2,773
13 2018-19	845,802	483,366	5,623	(34)	(1,125)	4,465	(1,125)	0	0	(281)	2,839
14 2019-20	861,192	498,756	5,802	(35)	(1,160)	4,607	(1,160)	0	0	(290)	2,906
15 2020-21	876,890	514,454	5,956	(36)	(1,191)	4,729	(1,191)	0	0	(298)	2,960
16 2021-22	892,902	530,466	6,141	(37)	(1,228)	4,876	(1,228)	0	0	(307)	3,030
17 2022-23	909,234	546,798	6,330	(38)	(1,266)	5,026	(1,266)	0	0	(316)	3,101
18 2023-24	925,892	563,457	6,522	(39)	(1,304)	5,179	(1,304)	0	0	(326)	3,173
19 2024-25	942,884	580,449	6,719	(40)	(1,344)	5,335	(1,344)	0	0	(336)	3,247
20 2025-26	960,216	597,780	6,920	(42)	(1,384)	5,494	(1,384)	0	0	(346)	3,323
21 2026-27	977,894	615,459	7,124	(43)	(1,425)	5,657	(1,425)	0	0	(356)	3,400
22 2027-28	995,926	633,491	7,333	(44)	(1,467)	5,822	(1,467)	0	0	(367)	3,478
23 2028-29	1,014,319	651,883	7,546	(39)	(1,509)	5,997	(1,509)	0	0	(377)	3,556
24 2029-30	1,033,079	670,644	7,767	(40)	(1,541)	6,174	(1,541)	0	0	(385)	3,632
25 2030-31	1,052,215	689,779	7,993	(41)	(1,583)	6,355	(1,583)	0	0	(394)	3,708
26 2031-32	1,071,733	709,298	8,229	(43)	(1,626)	6,542	(1,626)	0	0	(403)	3,784
27 2032-33	1,091,642	729,207	8,474	(44)	(1,670)	6,735	(1,670)	0	0	(412)	3,860
28 2033-34	1,111,949	749,513	8,721	(45)	(1,715)	6,933	(1,715)	0	0	(421)	3,936
29 2034-35	1,132,662	770,226	8,974	(46)	(1,760)	7,135	(1,760)	0	0	(430)	4,012
30 2035-36	1,153,789	791,354	9,229	(47)	(1,807)	7,340	(1,807)	0	0	(439)	4,088
31 2036-37	1,175,339	812,904	9,488	(49)	(1,855)	7,548	(1,855)	0	0	(448)	4,164
32 2037-38	1,197,320	834,884	9,749	(50)	(1,903)	7,756	(1,903)	0	0	(457)	4,240
33 2038-39	1,219,741	857,305	10,016	(51)	(1,953)	7,963	(1,953)	0	0	(466)	4,316
34 2039-40	1,242,609	880,174	10,288	(53)	(2,003)	8,171	(2,003)	0	0	(475)	4,392
35 2040-41	1,265,936	903,500	10,561	(54)	(2,053)	8,380	(2,053)	0	0	(484)	4,468
36 2041-42	1,289,728	927,293	10,835	(56)	(2,103)	8,589	(2,103)	0	0	(493)	4,544
37 2042-43	1,313,997	951,561	11,110	(57)	(2,153)	8,798	(2,153)	0	0	(502)	4,620
38 2043-44	1,338,751	976,315	11,385	(59)	(2,203)	9,007	(2,203)	0	0	(511)	4,696
39 2044-45	1,364,000	1,001,564	11,659	(60)	(2,253)	9,216	(2,253)	0	0	(520)	4,772
			258,348	(1,550)	(51,670)	205,129	(51,670)	(17,147)	(2,507)	(12,917)	120,888

08/24/06

Oakland Redevelopment Agency Broadway/MacArthur/San Pablo Redevelopment Project

Historical Values
Table 3

	Base Year 1999-00 (3)	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Secured (2)							
Land	328,497,980	171,577,197	180,196,274	195,494,913	210,930,151	244,375,517	282,019,419
Impts	0	459,656,378	482,940,111	511,977,049	548,827,843	573,158,277	642,184,379
Pers Prop	0	62,289,194	59,522,073	60,955,372	64,938,352	62,371,864	42,168,393
Exemptions	0	(311,602,421)	(321,967,507)	(311,817,396)	(350,298,923)	(352,893,751)	(336,577,832)
Total Secured	328,497,980	381,920,348	400,690,951	456,609,938	474,397,423	527,011,907	629,794,359
Unsecured							
Land	0	997,175	739,861	670,713	767,738	522,317	528,988
Impts	0	7,947,392	6,777,345	6,491,175	7,220,386	7,297,827	10,221,010
Pers Prop	33,937,669	35,108,849	34,898,927	35,831,419	46,675,223	30,994,447	36,487,879
Exemptions	0	(645,719)	(5,604,011)	(7,215,822)	(17,126,014)	(853,316)	(2,358,911)
Total Unsecured	33,937,669	43,407,697	36,812,122	35,777,485	37,537,333	37,961,275	44,878,966
GRAND TOTAL	362,435,649	425,328,045	437,503,073	492,387,423	511,934,756	564,973,182	674,673,325
Incremental Value		62,892,396	75,067,424	129,951,774	149,499,107	202,537,533	312,237,676
Annual Value % Change		2.86%	2.86%	12.54%	3.97%	10.36%	19.42%

- (1) Source: County of Alameda.
(2) Secured values include state assessed non-unitary utility property.
(3) Base Year Values are not completely broken out by Land, Improvements, Personal Property and Exemptions when provided by the Auditor Controller.

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

08/24/06

For Fiscal Year 2006-07

Table 4

	Secured			Unsecured			Total			Use Code
	Value	Parcels	% of Sec. AV	Value	Parcels	% of Unsec. AV	Value	% of Total Value		
1. Alta Bates Summit Medical Center	\$32,627,103	34	5.18%	\$0	0	0.00%	\$32,627,103	4.84%	Institutional	
2. Kaiser Foundation Hospitals	\$26,450,517	18	4.20%	\$366,269	1	0.82%	\$26,816,786	3.97%	Institutional	
3. SKB Webster LLC & Broadway Saratoga [Owner has pending appeals on parcels]	\$24,503,000	1	3.89%	\$0	0	0.00%	\$24,503,000	3.63%	Commercial	
4. Terry C. & Mong Shin Lee	\$9,852,700	1	1.56%	\$0	0	0.00%	\$9,852,700	1.46%	Residential	
5. Lani Dy Trust	\$7,181,156	4	1.14%	\$0	0	0.00%	\$7,181,156	1.06%	Commercial	
6. 3640 Associates & BW30 Associates LP	\$6,426,000	4	1.02%	\$0	0	0.00%	\$6,426,000	0.95%	Commercial	
7. Robert E. Faussner Trust	\$6,021,949	1	0.96%	\$0	0	0.00%	\$6,021,949	0.89%	Residential	
8. Jules M. & Geraldine A. Barsotti Trust	\$5,867,556	13	0.93%	\$0	0	0.00%	\$5,867,556	0.87%	Commercial	
9. Alioto Fish Company LP	\$5,250,000	1	0.83%	\$0	0	0.00%	\$5,250,000	0.78%	Commercial	
10. EBSC Limited Partnership	<u>\$4,685,771</u>	<u>1</u>	<u>0.74%</u>	<u>\$0</u>	<u>0</u>	<u>0.00%</u>	<u>\$4,685,771</u>	<u>0.69%</u>	Commercial	
Top Ten Property Owner Totals:	\$128,865,752	78		\$366,269	1		\$129,232,021			

Project Area Totals: \$629,794,359 20.46%
Project Area Incremental Value: \$301,296,379 42.77%

\$44,878,966 0.82%
\$10,941,297 3.35%
\$674,673,325 19.15%
\$312,237,676 41.39%

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture of Trust (the "Indenture") authorizing the Series 2006C Bonds 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 Indenture (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:

"Additional Revenues" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to construction which has been completed but which is not then reflected on the tax rolls or due to the transfer of ownership or other interest in real property which has been recorded but which is not yet reflected on the tax rolls.

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

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

For purposes of this definition, all Variable Rate Parity Debt will be deemed to bear interest as follows:

(a) Except as provided in (c) below, Variable Rate Parity Debt the interest on which is excludable from gross income for purposes of federal income taxation under the applicable provisions of the Code, will be assumed to bear interest at 100% of the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published);

(b) Except as provided in (c) below, Variable Rate Parity Debt the interest on which is not excludable from gross income for purposes of federal income taxation under the applicable provisions of the Code, will be assumed to bear interest at the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus 50 basis points; and

(c) In the case of Variable Rate Parity Debt with respect to which the Agency has entered into a Swap Agreement meeting the requirements of the Indenture, the interest rate borne by such Variable Rate Parity Debt will be deemed to be the interest rate payable by the Agency under such Swap Agreement (but only for the term of the Swap Agreement), plus the Basis Differential Amount.

For purposes of the calculation of Annual Debt Service, there will be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and delivered to the Trustee) from which amounts may not be released to the Agency unless the amount of Tax Revenues, calculated as described under "Issuance of Parity Debt" below, and Additional Revenues are then calculated to be not less than the percentage of Maximum Annual Debt Service required by the Indenture as described under "Issuance of Parity Debt" below.

"Basis Differential Amount" means the amount equal to the outstanding principal amount of the Variable Rate Parity Debt related to a Swap Agreement multiplied by the greater of (i) 0.25% per annum or (ii) the actual per annum interest rate paid on the applicable Variable Rate Parity Debt in the previous Bond Year less the actual resulting per annum interest rate required to be paid by a counterparty to the Agency with respect to the related notional amount under a parity Swap Agreement in the previous Bond Year without regard to netting of payments payable by the Agency to the counterparty thereunder; provided, however, that so long as a Swap Agreement is based on the BMA Municipal Swap Index (in the case of tax exempt Variable Rate Parity Debt), 100% of LIBOR (in the case of taxable Variable Rate Parity Debt) or the actual rate of the related Variable Rate Parity Debt, the Basis Differential Amount will be zero.

"Bonds" means the Series 2006C 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 the first Bond Year will begin on the Closing Date with respect to the Series 2006C Bonds and end on September 1, 2007.

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

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

"Closing Date" means the date on which a series of Bonds is 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 2006C-TE Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Series 2006C-TE Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate with respect to the Series 2006C 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 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 fund 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 will be entitled to rely upon any investment direction from the Agency as conclusive certification to the Trustee that investments described therein are in compliance with the City's investment policies then in effect and, provided further, that the prior written consent of the Series 2006C Insurer and any other insurer will be required for the use of Defeasance Obligations described in (f) for the purposes described under "Discharge of Indenture" subparagraph (iii) below:

- (a) Cash;
- (b) Federal Securities;
- (c) The interest component of Resolution Funding Corporation strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;
- (d) Pre-refunded municipal bonds rated "Aaa" by Moody's or "AAA" by S&P;
- (e) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or

fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) Federal Housing Administration debentures; (iv) participation certificates of the General Services Administration; (v) Federal Financing Bank bonds and debentures; (vi) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vii) guaranteed Title XI financings of the U.S. Maritime Administration; and (viii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development; and

(f) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System.

"Event of Default" means any of the events described under "Events of Default and Remedies" herein.

"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 the 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.

"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.

"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.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Agency may designate in a Written Request of the Agency filed with the Trustee.

"Insurer" means the provider of a municipal bond or financial guaranty insurance policy with respect to an issue of Bonds other than the Series 2006C Bonds.

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

"Interest Payment Date" means each March 1 and September 1, commencing March 1, 2007, 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 the calculation of Maximum Annual Debt Service, there will be excluded the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and delivered to the Trustee) from which amounts may not be released to the Agency unless the amount of Tax Revenues, calculated as described under "Issuance of Parity Debt", and Additional Revenues are then calculated to be not less than the percentage of Maximum Annual Debt Service required by the terms of the Indenture as described under "Issuance of Parity Debt". Any such escrow fund will be invested in an investment agreement with an institution rated at least "AA" by S&P and "Aa" by Moody's.

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

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

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture, but not including any Bonds paid by the Series 2006C Insurer or any other Insurer, as provided in the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds will have been authorized, executed, issued and delivered by the Agency pursuant to the Indenture.

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

"Parity Debt" means any additional bonds, loans, advances or indebtedness issued or incurred by the Agency on a parity with the Bonds pursuant to the Indenture as described in "Issuance of Parity Debt".

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

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America,

including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;

(c) bonds, notes or other evidences of indebtedness rated AAA by S&P and Aaa by Moody's issued by Fannie Mae or Freddie Mac with remaining maturities not exceeding three years;

(d) U.S. dollar denominated deposit accounts (including those with the Trustee or with any affiliate of the Trustee), federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of A-1 or A-1+ by S&P and P-1 by Moody's, and maturing no more than 360 days after the date of purchase;

(e) commercial paper which is rated at the time of purchase in the single highest classification, A-1+ by S&P and P-1 by Moody's and which matures not more than 270 days after the date of purchase;

(f) investments in a money market fund rated AAAM or AAAM-G or better by S&P, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (i) which are rated, based on the escrow, in the highest rating category of S&P and Moody's or (ii)(A) which are fully secured as to principal and interest and redemption premium (if any) by a fund consisting only of cash or Federal Securities, which fund may be applied only to the payment of such principal of and interest and redemption premium (if any) in such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates under such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by an independent accountant, to pay principal of and interest and redemption premium (if any) on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements approved in writing by the Series 2006C Insurer;

(i) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee;

(j) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests

exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP); and

(k) any other investments permitted in writing by the Series 2006C Insurer.

"Plan Limit" means the limitation, if any, 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 and the Law.

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

"Principal Corporate Trust Office" means such principal corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Agency, initially being 333 Market Street, 18th Floor, MAC: A0119-181, San Francisco, California 94105 Attention: Corporate Trust Department.

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

"Qualified Reserve Account Credit Instrument" means (i) the Series 2006C Qualified Reserve Account Credit Instrument or (ii) an irrevocable standby or direct-pay letter of credit, insurance policy surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met at the time of acceptance thereof by the Trustee: (a) in the case of a commercial bank, the long-term credit rating of such bank is 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" 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 thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required by the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the close of business on the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such fifteenth (15th) calendar day is a Business Day.

"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 established and held by the Trustee pursuant to the Indenture.

"Redevelopment Plan" means the redevelopment plan for the Broadway/MacArthur/San Pablo Redevelopment Project of the Agency in Oakland, California, titled "Redevelopment Plan for the Broadway/MacArthur/San Pablo Redevelopment Project," adopted and approved as the Redevelopment Plan for the Project by Ordinance No. 12269, adopted by the Council of the City

of Oakland, California on July 25, 2000, as heretofore amended and as may hereafter be amended in accordance with the law.

"Redevelopment Project" means the Broadway/MacArthur/San Pablo Redevelopment Project as described in the Redevelopment Plan.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"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, subject to the last paragraph under the caption "Establishment of Funds and Accounts; Flow of Funds - Debt Service Fund; Deposit of Amounts by Trustee – (c) Reserve Account," 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 will the Agency, in connection with the issuance of additional Bonds, be obligated to deposit an amount in the Reserve Account which is in excess of the amount permitted by the applicable provisions of the Code to be so deposited from the proceeds of tax-exempt bonds without having to restrict the yield of any investment purchased with any portion of such deposit and, that in the event such amount of any deposit into the Reserve Account is so limited, the Reserve Requirement will, in connection with the issuance of such additional Bonds, be increased only by the amount of such deposit.

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

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

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

"Series 2006C Insurer" means Ambac Assurance Corporation, a Wisconsin - domiciled stock insurance company, or any successor thereto.

"Series 2006C Policy Costs" will have the meaning assigned to that term in the Series 2006C Reserve Account Agreement.

"Series 2006C Qualified Reserve Account Credit Instrument" means the surety bond issued by the Series 2006C Insurer for the benefit of the Owners of the Series 2006C Bonds.

"Series 2006C Reserve Account Agreement" means the guaranty agreement dated as of the Closing Date, between the Agency and the Series 2006C Insurer.

"Series 2006C Subaccount of the Reserve Account" means the subaccount by that name established and held by the Trustee pursuant to the Indenture.

"Series 2006C-T Account of the Redevelopment Fund" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2006C-T Bonds" means the \$12,325,000 aggregate principal amount of Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable).

"Series 2006C-TE Account of the Redevelopment Fund" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Series 2006C-TE Bonds" means the \$4,945,000 aggregate principal amount of Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE.

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

"Special Fund" means the fund held by the Agency established pursuant to the Indenture.

"State" means the State of California.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency pursuant to the Indenture as described under "Issuance of Subordinate Debt" herein, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is expressly subordinate to the pledge of and lien upon the Tax Revenues under the Indenture for the security of the Bonds.

"Subordinate Debt Instrument" means any instrument providing for the issuance of Subordinate Debt.

"Supplemental Indenture" means any resolution, agreement or other instrument which has been duly adopted or entered into by the Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Swap Agreement" will have the meaning given such term under "Swap Agreements".

"Swap Provider" will have the meaning given such term under "Swap Agreements".

"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 and any Parity Debt.

"Term Bonds" means that portion of any Bonds payable from mandatory sinking account payments.

"Trustee" means Wells Fargo Bank, National Association, as trustee under the Indenture, or any successor thereto appointed as trustee under the Indenture in accordance with the provisions of the Indenture.

"Variable Rate Parity Debt" means Parity Debt that bears interest at a variable rate (and not a fixed rate to maturity).

"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 duly authorized by the Agency for that purpose.

Establishment of Funds and Accounts; Flow of Funds

Each of the following funds and accounts are established pursuant to the Indenture:

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

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund will be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance with respect to the Series 2006C Bonds upon submission of a Written Request of the Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date with respect to the Series 2006C Bonds, or upon the earlier Written Request of the Agency, all amounts (if any) remaining in the Costs of Issuance Fund will be withdrawn therefrom by the Trustee and transferred to the Redevelopment Fund. At such time, the Costs of Issuance will be closed, provided that it may be re-opened in connection with the issuance of an additional series of Bonds issued pursuant to a Supplemental Indenture.

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

Special Fund; Deposit of Tax Revenues. The Agency will transfer all of the Tax Revenues and payments, if any, from a Swap Provider 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 pursuant to the Indenture and, if applicable, (ii) with respect to any Parity Debt other than additional Bonds pursuant to the applicable Parity Debt Instrument. In the event that interest payments with respect to Variable Rate Parity Debt are due after any September 1 but prior to the last Interest Payment Date prior to the date the Agency anticipates receiving its first installment of Tax Revenues for the current Fiscal Year, the interest payments due during each such period will be included in the amounts to be held in the Special Fund and shall be available to be transferred to the Interest Account as described in the preceding sentence and under "Interest Account" below. In determining the amount required to be deposited in the Special Fund with respect to Variable Rate Parity Debt, the Agency shall assume an interest rate on such Variable Rate Parity Debt equal to 125% of the actual interest rate on such Variable Rate Parity Debt for the preceding Bond Year. If the amount of Tax Revenues available in such Bond Year will be insufficient to deposit the full amount required to be deposited pursuant to subparagraphs (i) and (ii) of this paragraph, then the Agency will 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 will 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. Additionally, no later than January 5 of each year, the Agency will release from the Special Fund amounts on deposit therein that are in excess of the amounts needed to pay interest on any outstanding Bonds or Parity Debt through the last Interest Payment Date prior to the date the Agency anticipates receiving its first installment of Tax Revenues for the current Fiscal Year. 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 will 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. Moneys in the Special Fund will 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 (provided further that, if on the fifth (5th) Business Day prior to the date the Agency is required to transfer amounts on deposit in the Special Fund to the Trustee there are not amounts on deposit therein sufficient to make the following deposits, taking into account amounts required to be transferred with respect to Parity Debt other than Bonds, the Agency will immediately notify the Trustee of the amount of any such insufficiency):

(a) Interest Account. On or before the third (3rd) Business Day preceding each Interest Payment Date, the Agency will 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 will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it will 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 beginning September 1, 2007, the Agency will 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 or, subject to the provisions described in subparagraph (d) under "Issuance of Parity Debt", in the case of Variable Rate Parity Debt that is in the form of auction rate securities, if such September is not an Interest Payment Date, on the first Interest Payment Date for such auction rate securities after such 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 (or, subject to the provisions described in subparagraph (d) under "Issuance of Parity Debt", in the case of Variable Rate Parity Debt that is in the form of auction rate securities, on the next succeeding Interest Payment Date with respect thereto) on all of the Outstanding Serial Bonds and Term Bonds. All moneys in the Principal Account will 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 will 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 will promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency will transfer to the Trustee an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. If there will then not be sufficient Tax Revenues to transfer an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account, the Agency will be obligated to continue making transfers as Tax Revenues become available in the Special Fund until there is an amount sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. No such transfer and deposit need be made to the Reserve Account so long as there will be on deposit therein a sum at least equal to the Reserve Requirement. All money in the Reserve Account will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 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 will 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 will be withdrawn from the Reserve Account and will 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 as described in this paragraph or, (ii) if the Agency will have caused to be transferred to the Trustee an amount sufficient to make the deposits as described in this paragraph, then, at the Written Request of the Agency, to the Redevelopment Fund.

The Agency will have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Series 2006C-TE Bonds or any other Bond the interest on which is excluded from gross income of the owners thereof for federal income tax purposes to become includable in gross income for purposes of federal income taxation. 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 will transfer such funds from the Reserve Account to the Redevelopment Fund and used for the purposes thereof. The Trustee will comply with all documentation relating to a Qualified Reserve Account Credit Instrument as will be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as will be required to receive payments thereunder in the event and to

the extent required to make any payment when and as required under the Indenture as described in this paragraph. Upon the expiration of any Qualified Reserve Account Credit Instrument, the Agency will 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 will 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 will be first used to meet any deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture as described under subparagraphs (a) and (b) above. If the Reserve Requirement is being maintained with two or more Qualified Reserve Account Credit Instruments, any draw to meet a deficiency which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required pursuant to the Indenture as described under subparagraphs (a) and (b) above will be pro-rata with respect to each such instrument.

In the event that a Qualified Reserve Account Credit Instrument is available to be drawn upon for only one or more particular series of Bonds, a separate subaccount in the Reserve Account may be established for such series and the calculation of the Reserve Requirement with respect to all other Bonds will exclude the debt service on such series of Bonds. Under the Indenture, there is created such a Subaccount designated the "Series 2006C Subaccount of the Reserve Account" to which the Series 2006C Qualified Reserve Account Credit Instrument is credited. Additionally, the Reserve Account may be maintained in the form of one combined Reserve Account or in the form of one or more separate sub-accounts established for the purpose of holding the proceeds of separate issues of Bonds in conformity with applicable provisions of the Code to the extent directed by the Agency in writing to the Trustee.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be optionally redeemed pursuant to the Indenture, the Trustee will withdraw from the Debt Service Fund any amount transferred by the Agency pursuant to the Indenture for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Series 2006C Bonds and on other Bonds to be optionally redeemed on such date pursuant to the Indenture or a Supplemental Indenture. All moneys in the Redemption Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Series 2006C Bonds and on such other Bonds to be optionally redeemed pursuant to the Indenture or a Supplemental Indenture on the date set for such redemption. Interest due on the Series 2006C Bonds or such other Bonds to be redeemed on the date set for redemption will, 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 Series 2006C Bonds or such other 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 the Series 2006C Bonds or such other Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest on such Series 2006C

Bonds or such other Bonds, which is payable from the Interest Account) as will be directed by the Agency.

Investment of Moneys in Funds. Moneys in the Redevelopment Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund will 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 will 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 will invest any such moneys in Permitted Investments described in clause (f) 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 will 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 will 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 will 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 may be invested by the Agency in any obligations in which the Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund will 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 will be deposited in the Interest Account; *provided, however,* that all interest or gain from the investment of amounts in the Reserve Account will 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 will incur no liability for losses arising from any investments made at the direction of the Agency or otherwise made in accordance with provisions described in this paragraph. For investment purposes only, the Trustee may commingle the funds and accounts established under the Indenture, but will account for each separately.

Issuance of Parity Debt. In addition to the Series 2006C Bonds, the Agency may, by Supplemental Indenture, issue additional bonds or incur other loans, advances or indebtedness payable from Tax Revenues on a parity with the Series 2006C Bonds to finance and/or refinance redevelopment activities with respect to the Redevelopment Project in such principal amount as will 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 will have occurred and be continuing, and the Agency will otherwise be in compliance with all covenants set forth in the Indenture;

(b) Except as described in (g) below, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) calculated using a tax rate of (1%), (ii) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the Agency, and (iii) inclusive of Additional Revenues, plus an assumed increase in Tax Revenues of two percent (2%), will be at least equal to one

hundred twenty five percent (125%) of Maximum Annual Debt Service, including within such Maximum Annual Debt Service, the amount of annual debt service on the Parity Debt then proposed to be issued or incurred;

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

(d) Principal with respect to such Parity Debt will be required to be paid on September 1 in any year in which such principal is payable, provided that if such Parity Debt is Variable Rate Parity Debt in the form of auction rate securities, mandatory sinking account redemptions (other than the mandatory sinking account payment due upon the maturity of such Variable Rate Parity Debt) will, at the option of the Agency, occur on either September 1 or the first Interest Payment Date immediately preceding or succeeding the scheduled mandatory sinking account date set forth in the applicable Parity Debt Instrument if such scheduled sinking account payment date is not an Interest Payment Date;

(e) The aggregate amount of the principal of and interest on all Outstanding Bonds, other outstanding Parity Debt and Subordinate Debt coming due and payable following the issuance of such Parity Debt will not exceed the maximum amount of Tax Revenues, if any, permitted under the Plan Limit to be allocated and paid to the Agency following the issuance of such Parity Debt;

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

(g) The condition described in subparagraph (b) above will not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Series 2006C Bonds or any other outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Series 2006C Bonds or Parity Debt, or portion thereof, proposed to be refunded.

Issuance of Subordinate Debt. The Agency may issue or incur Subordinate Debt in such principal amount as will be determined by the Agency. The Agency may issue or incur such Subordinate Debt subject to the following specific conditions precedent:

(a) If, and to the extent, such Subordinate Debt is payable from Tax Revenues within the then existing limitation, if any, on the amount of Tax Revenues allocable and payable to the Agency under the Redevelopment Plan, then the aggregate amount of the principal of and interest to accrue on all Outstanding Bonds, Parity Debt 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 described in paragraph (a) above have been satisfied.

Swap Agreements. Without meeting the requirements described above under “Issuance of Parity Debt” or “Issuance of Subordinate Debt”, the Agency may enter into one or more interest rate swap agreements ("Swap Agreements") with respect to Variable Rate Parity Debt, under which the Agency “swaps” the variable rate of interest payable on the Variable Rate Parity Debt for a fixed rate of interest, in a notional amount equal to or less than the principal amount of such Variable Rate Parity Debt to which the Swap Agreement applies, subject to the following conditions:

(a) The counterparty under the Swap Agreement (the “Swap Provider”) must be rated at least “AA-”/“Aa3” or better by Standard & Poor’s Ratings Services and Moody’s Investors Service (the “Initial Rating Requirement”).

(b) Assuming satisfaction of the Initial Rating Requirement, and thereafter as long as the long term indebtedness of the Swap Provider or the claims paying ability of the Swap Provider does not fall below BBB or Baa2 by either Standard & Poor’s or Moody’s (the “Minimum Rating Requirement”), all interest rate assumptions for purposes of determining Annual Debt Service and Maximum Annual Debt Service may be based upon the synthetic fixed interest rate under the Swap Agreement, plus the Basis Differential.

In the event of a failure to maintain a Swap Provider holding the Minimum Rating Requirement or to replace any such Swap Provider by another Swap Provider which holds the Initial Rating Requirement within ten business days after the Swap Provider’s rating falls below BBB or Baa2, the Swap Agreement will no longer be included in the calculation of Annual Debt Service.

The Agency's obligation to make payments under a Swap Agreement entered into in connection with the issuance of Variable Rate Parity Debt and meeting the conditions described in this section may, at the option of the Agency, be on a parity with the obligation of the Agency to pay debt service on the Series 2006C Bonds and all other outstanding Parity Debt.

Certain Other Covenants of the Agency

The Agency makes the following covenants in the Indenture:

Limitation on Additional Indebtedness; Against Encumbrances. So long as the Bonds are Outstanding, the Agency will not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only (i) the Series 2006C Bonds, (ii) any Parity Debt and (iii) 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 in the Indenture.

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 will be extended or funded, whether or not with the consent of the Agency, such Bond or claim for interest so extended or funded will not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which will not have been so extended or funded.

Payment of Claims. The Agency will 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 in the Indenture contained will require the Agency to make any such payment so long as the Agency in good faith will contest the validity of said claims.

Books and Accounts; Financial Statements. The Agency will 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 will 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 will at all times during business hours be subject to the inspection of the Series 2006C Insurer, any other Insurer and the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared, within nine (9) months after the close of each Fiscal Year so long as the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements of Tax Revenues and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. The Agency will promptly furnish a copy of such financial statements to the Trustee, the Series 2006C Insurer and any other Insurer at no expense and to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency will deliver to the Trustee, the Series 2006C Insurer and any other Insurer, on or about February 1 of each year, a Written Certificate of the Agency and a written certificate or opinion of an Independent Accountant stating that the Agency is in compliance with its obligations under the Indenture.

Payments of Taxes and Other Charges. Except as otherwise provided in the Indenture, the Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Redevelopment Project, or upon the revenues therefrom when the same will become due. Nothing in the Indenture contained will require the Agency to make any such payment so long as the Agency in good faith will 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.

Taxation of Leased Property. All amounts derived by the Agency pursuant to Section 33673 of the Law with respect to the lease of property for redevelopment will be treated as Tax Revenues for all purposes of the Indenture.

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 will, when taken together with other such detachments or dispositions, (i) aggregate more than ten percent (10%) of the assessed value of property in the Project Area or (ii) would cause the amount of Tax Revenues available to the Agency for application under the Indenture in the succeeding Fiscal Year to fall below 115% of Maximum Annual Debt Service, in either case unless the Series 2006C Insurer and any other Insurer will otherwise consent in writing.

Maintenance of Tax Revenues. The Agency will 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 will not undertake proceedings for amendment of the Redevelopment Plan if such amendment will result in payments to one or more taxing entities pursuant to Sections 33607.5 and 33607.7 of the Law unless the Agency will 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 will 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 125% of Maximum Annual Debt Service without the written consent of the Series 2006C Insurer and any other Insurer.

Tax Covenants Relating to the Series 2006C-TE Bonds. The Agency will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Series 2006C-TE Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Series 2006C-TE Bonds would have caused the Series 2006C-TE Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code. The Agency will assure that the proceeds of the Series 2006C-TE Bonds are not so used as to cause the Series 2006C-TE 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 any of the Series 2006C-TE Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code. The Agency will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Series 2006C-TE Bonds. The Agency will take all actions necessary to assure the exclusion of interest on the Series 2006C-TE Bonds from the gross income of the Owners of the Series 2006C-TE 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 Series 2006C-TE Bonds.

Compliance with the Law; Low and Moderate Income Housing Fund. The Agency will 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 will 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.

Continuing Disclosure; Notice to Series 2006C Insurer. The Agency 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 will 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 as described in this paragraph.

Provisions Relating to the Series 2006C Bond Insurance Policy

So long as the Series 2006C Bond Insurance Policy remains in force and effect, the Trustee will comply with all of the provisions thereof which are required to be complied with to ensure timely payment of the principal of and interest on the Series 2006C Bonds when due.

(a) At least one (1) Business Day prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds in the funds and accounts established under the Indenture to pay the principal or interest on the Series 2006C Bonds on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such funds or accounts, the Trustee will so notify the Series 2006C Insurer. Such notice will specify the amount of the anticipated deficiency, the Series 2006C Bonds to which such deficiency is applicable and whether such Series 2006C Bonds will be deficient as to principal or interest, or both. If the Trustee has not so notified the Series 2006C Insurer at least one (1) Business Day prior to an Interest Payment Date, the Series 2006C Insurer will make payments of principal of or interest due on the Series 2006C Bonds on or before the first (1st) Business Day next following the date on which the Series 2006C Insurer has received notice of nonpayment from the Trustee.

(b) The Trustee will, after giving notice to the Series 2006C Insurer as described in (a) above, make available to the Series 2006C Insurer and, at the Series 2006C Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Series 2006C Insurer or any successor insurance trustee (the "Insurance Trustee"), the bond registration books (the "Registration Books") of the Trustee and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee will provide the Series 2006C Insurer and the Insurance Trustee with a list of the Owners of Series 2006C Bonds entitled to receive principal or interest payments from the Series 2006C Insurer under the terms of the Series 2006C Bond Insurance Policy, and will make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners of the Series 2006C Bonds entitled to receive full or partial interest payments from the Series 2006C Insurer and (ii) to pay principal upon all Series 2006C Bonds surrendered to the Insurance Trustee by the Owners of Series 2006C Bonds entitled to receive full or partial principal payments from the Series 2006C Insurer.

(d) The Trustee will, at the time it provides notice to the Series 2006C Insurer as described under (a) above, notify the Owners of Series 2006C Bonds entitled to

receive the payment of principal of or interest thereon from the Series 2006C Insurer (i) as to the fact of such entitlement, (ii) that the Series 2006C Insurer will remit to them all or a part of the interest payments next coming due upon proof of the Owner's entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Series 2006C Insurer, they must surrender their Series 2006C Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2006C Bonds to be registered in the name of the Series 2006C Insurer) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Series 2006C Insurer, they must surrender their Series 2006C Bonds for payment thereon first to the Trustee who will note on such Series 2006C Bonds the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) If the Trustee has notice that any payment of principal of or interest on a Series 2006C Bonds which has become Due for Payment and which is made to an Owner by or on behalf of the Agency has been deemed a preferential transfer and theretofore recovered from its Owner under the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee will, at the time the Series 2006C Insurer is notified as described under (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Series 2006C Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee will furnish to the Series 2006C Insurer its records evidencing the payments of principal of and interest on the Series 2006C Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Series 2006C Insurer under the Indenture, the Series 2006C Insurer will, to the extent it makes payment of principal of or interest on the Series 2006C Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2006C Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee will note the Series 2006C Insurer's rights as subrogee on the Registration Books upon receipt from the Series 2006C Insurer of proof of the payment of interest with respect thereto to the Owners of the Series 2006C Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee will note the Series 2006C Insurer's rights as subrogee on the Registration Books upon surrender of the Series 2006C Bonds by the Owners thereof together with proof of the payment of principal with respect thereto.

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

As long as the Series 2006C Qualified Reserve Account Credit Instrument will be in full force and effect, the Agency and the Trustee agree in the Indenture to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Debt Service Fund, plus all amounts on deposit in and credited to the Series 2006C Subaccount of the Reserve Account in excess of the amount of the Series 2006C Qualified Reserve Account Credit Instrument, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) day after receipt by the General Counsel of the Series 2006C Insurer of a demand for payment in the form attached to the Series 2006C Qualified Reserve Account Credit Instrument as Attachment 1 (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Indenture has not been made to the Trustee; or (ii) the payment date of the Series 2006C Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of the Series 2006C Insurer, the Series 2006C Insurer will make a deposit of funds in an account with the Trustee or its successor, in New York, New York, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee under the Indenture (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Series 2006C Qualified Reserve Account Credit Instrument; provided, however, that in the event that the amount on deposit in, or credited to, the Series 2006C Subaccount of the Reserve Account, in addition to the amount available under the Series 2006C Qualified Reserve Account Credit Instrument, includes amounts available under a letter of credit, insurance policy, Series 2006C Qualified Reserve Account Credit Instrument or other such funding instrument (the "Additional Funding Instrument"), draws on the Series 2006C Qualified Reserve Account Credit Instrument and the Additional Funding Instrument will be made on a pro rata basis to fund the insufficiency.

(b) The Trustee will, after submitting to the Series 2006C Insurer the Demand for Payment as described in (a) above, make available to the Series 2006C Insurer all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee will, upon receipt of moneys received from the draw on the Series 2006C Qualified Reserve Account Credit Instrument, as specified in the Demand for Payment, credit the Series 2006C Subaccount of the Reserve Account to the extent of moneys received pursuant to such Demand.

(d) The Series 2006C Subaccount of the Reserve Account will be replenished in the following priority: (i) principal and interest on the Series 2006C Qualified Reserve Account Credit Instrument and on any Additional Funding Instrument will be paid from first available Tax Revenues on a pro rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Reserve Account to the required level, after taking into account the amounts available under the Series 2006C Qualified Reserve Account Credit Instrument and any Additional Funding Instrument will be deposited from next available Tax Revenues.

Rights of Series 2006C Insurer; Consent or Approval of the Series 2006C Insurer.

The provisions described below will govern, notwithstanding anything to the contrary set forth in the Indenture:

(a) Any provision of the Indenture expressly recognizing or granting rights in or to the Series 2006C Insurer may not be amended in any manner which affects the rights of the Series 2006C Insurer under the Indenture without the prior written consent of the Series 2006C Insurer. The Series 2006C Insurer reserves the right to charge the

Agency a fee for any consent or amendment to the Indenture or any other financing document executed in connection therewith while the Series 2006C Bond Insurance Policy is outstanding.

(b) For so long as the Series 2006C Insurer is not in default under the Series 2006C Bond Insurance Policy, the Series 2006C Insurer will be deemed to be the sole Owner of the Series 2006C Bonds insured by it for the purpose of exercising any voting rights or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2006C Bonds insured by it are entitled to take pursuant to the Indenture, and the Series 2006C Insurer's consent will be required for the following purposes: (i) execution and delivery of any supplemental Indenture (other than in connection with the issuance of Parity Debt), (ii) removal of the Trustee and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires the consent of the Owners of the Series 2006C Bonds. However, notwithstanding any other provision of the Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee will consider the effect on the Owners as if there were no Series 2006C Bond Insurance Policy.

(c) Any reorganization or liquidation plan with respect to the Agency must be acceptable to the Series 2006C Insurer. In the event of any reorganization or liquidation, the Series 2006C Insurer will have the right to vote on behalf of all Owners who hold Series 2006C Bonds absent a default by the Series 2006C Insurer under the Series 2006C Bond Insurance Policy.

(d) Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Series 2006C Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2006C Bonds or the Trustee for the benefit of the Owners of the Series 2006C Bonds under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Series 2006C Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2006C Insurer will also be entitled to approve all waivers of events of default. In the event that the maturity of the Series 2006C Bonds is accelerated, the Series 2006C Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Agency) with respect to the Series 2006C Bonds, and the Trustee will accept such amounts. Upon payment of all of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2006C Insurer's obligations under the Series 2006C Bond Insurance Policy will be fully discharged.

(e) While the Series 2006C Bond Insurance Policy is in effect, the Agency will furnish to the Series 2006C Insurer (to the attention of the Surveillance Department, unless otherwise indicated):

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Agency, a copy of any audit and annual report of the Agency and a copy of the annual report and any other report given pursuant to the Continuing Disclosure Certificate;

(ii) a copy of any notice to be given to the Owners of the Series 2006C Bonds, including, without limitation, notice of any redemption of or defeasance of Series 2006C Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the Series 2006C Bonds; and

(iii) such additional information it may reasonably request.

The Agency or the Trustee, as appropriate, will notify the Series 2006C Insurer of any failure of the Agency to provide relevant notices, certificates, or filings.

The Agency will permit the Series 2006C Insurer to discuss the affairs, finances and accounts of the Agency or any information the Series 2006C Insurer may reasonably request regarding the security for the Series 2006C Bonds with appropriate officers of the Agency. The Agency or the Trustee, as appropriate, will permit the Series 2006C Insurer to have access to and to make copies of all books and records relating to the Series 2006C Bonds at any reasonable time.

The Series 2006C Insurer will have the right to direct an accounting at the Agency's expense, and the Agency's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Series 2006C Insurer will be deemed a default under the Indenture; provided, however, that if compliance cannot occur without such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 2006C Bonds.

Notwithstanding any other provision of the Indenture, the Agency will immediately notify the Series 2006C Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default.

(f) Notwithstanding the provisions of the Indenture described under "Discharge of Indenture" below, in the event of principal of and/or interest on the Series 2006C Bonds will be paid by the Series 2006C Insurer pursuant to the Series 2006C Bond Insurance Policy, the Series 2006C Bonds will remain outstanding for all purposes and not be considered paid by the Agency, and the assignment and application of Tax Revenues under the Indenture and all covenants, agreements and other obligations of the Agency to the Owners of the Series 2006C Bonds will continue to exist and will run to the benefit of the Series 2006C Insurer, and the Series 2006C Insurer will be subrogated to the rights of such Owners.

(g) To the extent that the Indenture confers upon or gives or grants to Series 2006C Insurer any right, remedy or claim under or by reason of the Indenture, the Series 2006C Insurer is explicitly recognized as being a third-party beneficiary under the Indenture and may enforce any such right remedy or claim conferred, given or granted under the Indenture.

(h) Nothing in the Indenture expressed or implied is intended or will be construed to confer upon, or to give or grant to, any person or entity, other than the Agency, the Trustee, the Series 2006C Insurer, and the Owners of the Series 2006C Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant,

condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Agency will be for the sole and exclusive benefit of the Agency, the Trustee, the Series 2006C Insurer, and the Owners of the Series 2006C Bonds.

(i) The Agency covenants and agrees in the Indenture that it will reimburse the Series 2006C Insurer for any amounts paid under the Series 2006C Bond Insurance Policy and all costs of collection thereof and enforcement of the Indenture and any other documents executed in connection with the Indenture, together with interest thereon, from the date paid or incurred by the Series 2006C Insurer until payment thereof in full by the Agency, payable at the Insurer Payment Rate (as hereinafter defined), including without limitation (to the extent permitted by applicable law) interest on claims paid by the Series 2006C Insurer in respect of interest with respect to the Series 2006C Bonds. Such payment obligation will be payable on demand and on a parity with, and from the same sources and secured by the same security as, regularly scheduled principal and interest payments with respect to the Series 2006C Bonds. For purposes of the foregoing, "Insurer Payment Rate" will mean the lesser of (a) the maximum rate permissible under applicable usury or similar laws limiting interest rates and (b) the greater of (i) the then applicable highest rate of interest with respect to the Series 2006C Bonds, and (ii) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the Agency of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus 3 percent. The Insurer Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate will be the publicly announced prime or base lending rate of such national bank as the Series 2006C Insurer will specify. The Agency also agrees to pay all Series 2006C Policy Costs, as provided in the Series 2006C Reserve Account Agreement.

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 will 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 reserved to or conferred upon the Agency in the Indenture; 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 will 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 the interest on which is intended to be excluded from gross income for federal income tax purposes, 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 described 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 will become binding when the written consent of the Series 2006C Insurer, any other Insurer and the Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest, or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Series 2006C Insurer, any other Insurer or the Owner of such Bond, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event will any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In no event will any Supplemental Indenture modify any of the rights or obligations of the Series 2006C Insurer or any other Insurer without its prior written consent.

Events of Default and Remedies.

Events of Default. The following events will constitute Events of Default under the Indenture:

(a) if default will 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 will become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default will 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 will have continued for a period of thirty (30) days following receipt by the Agency of written notice from the Trustee, the Series 2006C Insurer or any other Insurer or written notice from any Owner (with a copy of said notice delivered to the Trustee and the Series 2006C Insurer and any other Insurer) of the occurrence of such default, provided that if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure will not constitute an event of default if corrective action is instituted by the Agency (with the prior written consent of the Series 2006C Insurer and any other Insurer) within such thirty (30) day period and the Agency thereafter diligently and in good faith cures such failure in a reasonable period of time as approved by the Series 2006C Insurer and any other Insurer; or

(c) If the Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America,

or if a court of competent jurisdiction will approve a petition by the Agency seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition by the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Agency or of the whole or any substantial part of its property.

In determining whether an Event of Default has occurred under (a) above, no effect will be given to payments made under the Series 2006C Bond Insurance Policy, the Series 2006C Qualified Reserve Account Credit Instrument or under any other municipal bond insurance policy, financial guaranty insurance policy or Qualified Reserve Account Credit Instrument.

If an Event of Default has occurred 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 will, (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 will 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 will give notice of such Event of Default to the Series 2006C Insurer and any other Insurer and to the Agency by telephone promptly confirmed in writing. Such notice will also state whether the principal of the Bonds will 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 will, 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 will include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee will have declared the Bonds to become due and payable pursuant to the Indenture as described the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date). In no event will the debt service on the Series 2006C Bonds be accelerated without the prior written consent of the Series 2006C Insurer.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds will have been so declared due and payable, and before any judgment or decree for the payment of the moneys due will have been obtained or entered, the Agency will, 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) will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then, and in every such case, the Trustee will promptly give written notice of the foregoing to the Series 2006C Insurer, any other Insurer and the Owners of all Bonds then Outstanding, and with the prior written approval of the Owners

of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon. In no event will any rescission or annulment of the acceleration of the debt service on the Series 2006C Bonds occur without the prior written consent of the Series 2006C Insurer.

Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee under the Indenture upon the date of the declaration of acceleration as provided in the Indenture, and all sums thereafter received by the Trustee under the Indenture, will 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 as described herein, 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 will have been collected), and in case such moneys will 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, will 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 will 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 will 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 will 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 will have previously given to the Agency, the Trustee, the Series 2006C Insurer and any other Insurer written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding will have made written request upon the Trustee to exercise the powers described above or to institute such action, suit or proceeding in its own name; (c) said Owners

will 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 will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, 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 will have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner therein provided and for the equal benefit of all Owners of the Outstanding Bonds.

Series 2006C Insurer to Control Enforcement of Rights and Remedies. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Series 2006C Insurer will be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2006C Bonds or the Trustee for the benefit of the Owners of the Series 2006C Bonds under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Series 2006C Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Series 2006C Insurer will also be entitled to approve all waivers of events of default. In the event that the maturity of the Series 2006C Bonds is accelerated, the Series 2006C Insurer may elect, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Agency) with respect to the Series 2006C Bonds, and the Trustee will accept such amounts. Upon payment of all of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2006C Insurer's obligations under the Series 2006C Bond Insurance Policy will be fully discharged.

Discharge of Indenture

The Agency may pay and discharge the entire indebtedness on all Bonds or any portion thereof 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; or

(iii) by irrevocably depositing with the Trustee or an escrow agent, in trust, Defeasance Obligations in such amount as an Independent Accountant will 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 will have been given pursuant to the Indenture or provision satisfactory to the Trustee will have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any Bonds will 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 will 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 relating to compensation and indemnification of the Trustee, and (d) the obligation of the Agency to pay or cause to be paid to the Owners (or the Series 2006C Insurer and any other Insurer), from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee, the Series 2006C Insurer and any other Insurer all fees, expenses and costs of the Trustee, the Series 2006C Insurer and any other Insurer. In the event the Agency will, pursuant to the foregoing provision, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee will 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 as compensation or indemnification will be paid over to the Agency.

The Trustee

The Agency may remove the Trustee at any time, unless an Event of Default will have occurred and then be continuing, and will 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 will cease to be eligible as described below, or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property will be appointed, or any public officer will 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 will be accomplished by the giving of written notice of such removal by the Agency to the Trustee, with a copy to the Series 2006C Insurer and any other Insurer, whereupon the Agency will appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the Agency and by giving the Owners, the Series 2006C Insurer and any other Insurer notice of such resignation by first class mail, postage prepaid, at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Agency will promptly appoint a successor Trustee by an instrument in writing, with notice of such appointment to be furnished to the Series 2006C Insurer and any other Insurer.

Any removal or resignation of the Trustee and appointment of a successor Trustee will become effective only upon acceptance of appointment by the successor Trustee. If no successor Trustee will have been appointed and have accepted appointment within 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. Upon acceptance of appointment by a successor Trustee, the Agency will 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.

The Agency agrees that, so long as any Bonds or any Parity Debt are Outstanding, the Trustee will 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 will 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 paragraph the combined capital and surplus of such financial institution will 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 will cease to be eligible in accordance with the provisions described in this paragraph, the Trustee will resign immediately in the manner and with the effect described above.

APPENDIX E
PROPOSED FORMS OF BOND COUNSEL OPINIONS

October __, 2006

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

OPINION: \$4,945,000 Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation
Bonds, Series 2006C-TE

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Oakland (the "Agency") of its \$4,945,000 principal amount Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (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 September 19, 2006, and an Indenture of Trust dated as of October 1, 2006 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, the Series 2006C-T Bonds and any other Parity Debt (as such terms are defined in the Indenture), subject to no prior lien granted under the Law.

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 2006C-T 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

October __, 2006

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

OPINION: \$12,325,000 Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation
Bonds, Series 2006C-T (Federally Taxable)

Members of the Agency:

We have acted as bond counsel in connection with the issuance by the Redevelopment Agency of the City of Oakland (the "Agency") of its \$12,325,000 principal amount Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the "Bonds"), pursuant to the Community Redevelopment Law, constituting Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code of the State of California (the "Law"), a resolution of the Agency adopted on September 19, 2006, and an Indenture of Trust dated as of October 1, 2006 (the "Indenture"), between the Agency and Wells Fargo Bank, National Association, as trustee (the "Trustee"). We have examined the Law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Agency contained in the Indenture and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Agency is duly created and validly existing as a public body, corporate and politic, with the power to execute and deliver the Indenture, perform the agreements on its part contained therein and issue the Bonds.
2. The Indenture has been duly executed and delivered by the Agency and constitutes a valid and binding obligation of the Agency enforceable upon the Agency.

3. Pursuant to the Law, the Indenture creates a valid lien on the funds pledged by the Indenture for the security of the Bonds, the Series 2006C-TE Bonds and any other Parity Debt (as such terms are defined in the Indenture), subject to no prior lien granted under the Law.

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 2006C-TE Bonds and any other Parity Debt, solely from the sources provided therefor in the Indenture.

5. The interest on the Bonds is not excluded from gross income for federal income tax purposes.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND (the "Agency") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee (the "Trustee"), in connection with the issuance of \$4,945,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the "Series 2006C-T Bonds") and \$12,325,000 Redevelopment Agency of the City of Oakland Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (together with the Series 2006C-TE Bonds, the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Indenture of Trust, dated as of October 1, 2006, between the Agency and the Trustee (the "Indenture"). The Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

Section 2. Definitions. The definitions set forth in the Indenture apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section: The following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

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

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

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

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

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

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

Section 3. Provision of Annual Reports.

(a) Not later than nine months after the end of the Agency's fiscal year (which is currently June 30), commencing with the 2005-2006 fiscal year, the Agency shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Agency may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Agency, file a report with the Agency certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing the Repositories to which it was provided.

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

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

1. The audited financial statements of the Agency for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Agency's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

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

- 1. Principal and interest payment delinquencies.
- 2. Non-payment related defaults.
- 3. Modifications to rights of the Owners of the Bonds.
- 4. Optional, contingent or unscheduled bond calls.
- 5. Defeasances.
- 6. Rating changes.

7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2006C-TE Bonds.
8. Unscheduled draws on debt service reserves reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of the credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of property securing repayment of the Bonds.

Any event under subsections (1) or (6) of the definition of the term "Listed Event" will always be deemed by the Agency to be material.

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

Nothing in this Section shall be deemed to prevent the Agency from disseminating any other information, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

In the event of a failure of the Agency to comply with any provision of this Section 5, any Owner may take such actions as may be necessary and appropriate, including applicable legal remedies to cause the Agency to comply with its obligations under this Section 5. A default under this Section shall not be deemed an event of default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Section shall be an action to compel performance.

This Section shall inure solely to the benefit of the Agency, the Participating Underwriters and Owners from time to time of the Bonds and no other person shall have any rights hereunder.

Section 6. Termination of Reporting Obligation. The obligations of the Agency under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate; and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or beneficial owners of the Bonds.

Section 8. Dissemination Agent. The Agency may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Trustee nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the Agency under this Disclosure Certificate.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Agency from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Agency chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Agency shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners

and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Default. In the event of a failure of the Agency to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Prior Undertakings. The Agency each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 14. Effective Date. This Disclosure Certificate shall be effective on and as of the date of issuance and delivery of the Bonds.

Section 15. Notices. Any notices or communications to the Agency relating to this Disclosure Certificate may be given as follows:

If to the Agency: Redevelopment Agency of the City of Oakland
 c/o Finance and Management Agency
 150 Frank H. Ogawa Plaza, Suite 5330
 Oakland, California 94612
 Attention: Treasury Manager
 Telephone: (510) 238-3201
 Fax: (510) 238-2137

The Agency may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Certificate is given this ____ day of October, 2006.

REDEVELOPMENT AGENCY OF THE CITY
OF OAKLAND CALIFORNIA

By: _____
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND,
CALIFORNIA

Name of Bond Issues: \$4,945,000 Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Tax
Allocation Bonds, Series 2006C-TE and \$12,325,000
Redevelopment Agency of the City of Oakland,
Broadway/MacArthur/San Pablo Redevelopment Project Tax
Allocation Bonds, Series 2006C-T (Federally Taxable) (the
"Bonds")

Date of Delivery: October __, 2006.

NOTICE IS HEREBY GIVEN to [(i) each National Repository or the Municipal Securities Rulemaking Board and (ii) each appropriate State Repository] [the CPO and the Municipal Securities Rulemaking Board] that the Redevelopment Agency of the City of Oakland, California (the "Agency") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture of Trust dated as of October 1, 2006 relating to the Bonds. The Agency anticipates that the Annual Report will be filed by _____.

Dated: _____

REDEVELOPMENT AGENCY OF THE CITY
OF OAKLAND, CALIFORNIA

By: _____
Authorized Representative

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM AND GLOBAL CLEARANCE PROCEDURES

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information under this heading concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC. The Agency and the Underwriters take no responsibility for the completeness or accuracy thereof. The Agency and the Underwriters cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, on the Series 2006C Bonds, (b) security certificates representing ownership interest in or other confirmation or ownership interest in the Series 2006C Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006C Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement, including this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2006C Bonds. The Series 2006C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each Series of the Series 2006C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (respectively, “NSCC,” “GSCC,” “MBSCC” and “EMCC,” also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2006C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2006C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006C 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 2006C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2006C Bonds, except in the event that use of the book-entry system for the Series 2006C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2006C Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2006C 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 2006C Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2006C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2006C Bonds may wish to ascertain that the nominee holding the Series 2006C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2006C Bonds within a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2006C Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2006C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2006C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Agency or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor Cede & Co. (nor such other DTC nominee), the Trustee or the Agency, subject to any

statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Series 2006C Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2006C Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency and the Underwriters take no responsibility for the accuracy thereof.

PURCHASES OF THE SERIES 2006C BONDS THROUGH EUROCLEAR AND CLEARSTREAM

The information concerning Clearstream and Euroclear has been derived from information obtained from Clearstream and Euroclear and other sources. Neither the Agency nor the Underwriters make any representation or warranty regarding the accuracy or completeness thereof.

General

The Series 2006C Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Series 2006C Bonds. Purchases of the Series 2006C Bonds will be in book-entry form only, as more fully described below. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

The Agency and the Underwriters cannot and do not give any assurances that DTC, Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will distribute to the Beneficial Owners of the Series 2006C Bonds: (i) payments of principal and interest payments (including redemption payments) with respect to the Series 2006C Bonds; (ii) confirmation of ownership interest in the Series 2006C Bonds; or (iii) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2006C Bonds, or that they will do so on a timely basis, or that DTC, the Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will serve and act in the manner described in this Official Statement.

The Agency and the Underwriters will have no responsibility or obligations to DTC, the Participants, Euroclear, Euroclear Participants, Clearstream, Clearstream customers or the Beneficial Owners with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants; (ii) the payment by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any amount

due to any Beneficial Owner in respect of principal and interest payments (including redemption payments) on the Series 2006C Bonds; (iii) the delivery by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Series 2006C Bonds; or (iv) any consent given or other action taken by DTC as registered holder of the Series 2006C Bonds.

Clearstream

Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“Clearstream, Luxembourg”), was incorporated in 1970 as “Cede S.A.”, a company with limited liability under Luxembourg law (a société anonyme). Cede/ S.A. subsequently changed its name to Cedelbank. On 10 January 2000, Cedelbank’s parent company, Cedel International, société anonyme (“CI”) merged its clearing, settlement and custody business with that of Deutsche Börse AG (“DBAG”). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect 14 January 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG.

Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On 18 January 2000, Cedelbank was renamed “Clearstream Banking, société anonyme”, and Cedel Global Services was renamed “Clearstream Services, société anonyme”. On 17 January 2000, Deutsche Börse Clearing AG was renamed “Clearstream Banking AG”.

Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United States Dollars, Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, “CSSF”; and the Banque Centrale du Luxembourg (“BCL”) which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg’s customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg’s U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the “Euroclear Operator”) in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear Bank

Euroclear Bank S.A./N.V. (“Euroclear Bank”) holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants.

Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire Securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners

All of the Series 2006C Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories").

Holders of the Series 2006C Bonds may hold their Series 2006C Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Series 2006C Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Series 2006C Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Series 2006C Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an owner of the Series 2006C Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading

Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds.

When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case may be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Series 2006C Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds.

Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's . In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be back-valued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream

customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change

Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants. Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

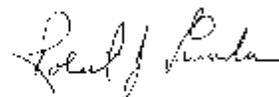
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.


President




Secretary

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Representative


Authorized Officer of Insurance Trustee



Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0310

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President



Secretary

Authorized Representative

APPENDIX I

SPECIMEN RESERVE ACCOUNT SURETY BOND POLICY

Ambac Assurance Corporation

Statutory Office:
c/o CT Corporation
44 East Mifflin Street
Madison, Wisconsin 53703

Administrative Office:
One State Street Plaza
New York, New York 10004
Telephone: (212) 665-0340

Policy No. SB__BE

Ambac Assurance Corporation (“Ambac”), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments which are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and which are required to be made by or on behalf of the _____ (the “Obligor”) to _____ (the “Trustee”), as such payments are due by the Obligor but shall not be so paid pursuant to a _____ of the Obligor, dated as of _____ (the “Ordinance”), by and between the Obligor and the Trustee, authorizing the issuance of \$ _____ (the “Obligations”) of said Obligor and providing the terms and conditions for the issuance of said Obligations; provided that the amount available at any particular time to be paid to the Trustee under the terms hereof shall not exceed the Surety Bond Coverage, defined herein as the lesser of \$ _____ or the Debt Service Reserve Fund Requirement for the Obligations, as that term is defined in the Ordinance (the “Reserve Requirement”). The Surety Bond Coverage shall be reduced and may be reinstated from time to time as set forth herein.

1. As used herein, the term “Owner” shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable Trustee, the Obligor or any designee of the Obligor for such purpose. The term “Owner” shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment of the Obligations.

2. Upon the later of: (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached hereto as Attachment 1 (the “Demand for Payment”), duly executed by the Trustee certifying that payment due as required by the Ordinance has not been made to the Trustee; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Trustee to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Trustee or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, or telegram of the executed Demand for Payment c/o the General Counsel of Ambac. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, Ambac shall give notice to the Trustee, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Trustee may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Trustee is entitled and able to do so.

4. The amount payable by Ambac under this Surety Bond pursuant to a Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the

extent of each payment made by Ambac hereunder and will be reinstated to the extent of each reimbursement of Ambac by the Obligor pursuant to Article II of the Guaranty Agreement, dated as of **[the date of the Obligations]** (the "Guaranty Agreement"), by and between Ambac and the Obligor; provided, that in no event shall such reinstatement exceed the Surety Bond Coverage. Ambac will notify the Trustee, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Guaranty Agreement and such reinstatement shall be effective as of the date Ambac gives such notice. The notice to the Trustee will be substantially in the form attached hereto as Attachment 2. The Surety Bond Coverage shall be automatically reduced to the extent that the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Ordinance.

5. Any service of process on Ambac may be made to Ambac or the office of the General Counsel of Ambac and such service of process shall be valid and binding as to Ambac. During the term of its appointment, General Counsel will act as agent for the acceptance of service of process and its offices are located at One State Street Plaza, New York, New York 10004, Telephone: (212) 668-0340.

6. This Surety Bond is noncancelable for any reason. The term of this Surety Bond shall expire on the earlier of (i) _____ (**the maturity date of the Obligations**) or (ii) the date on which the Obligor, to the satisfaction of Ambac, has made all payments required to be made on the Obligations pursuant to the Ordinance. The premium on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

7. This Surety Bond shall be governed by and interpreted under the laws of the State of Wisconsin, and any suit hereunder in connection with any payment may be brought only by the Trustee within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and Ambac has failed to make such payment or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Trustee to deliver to Ambac a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

8. In the event that Ambac were to become insolvent, any claims arising under this Surety Bond would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

IN WITNESS WHEREOF, Ambac has caused this Surety Bond to be executed and attested on its behalf this ____ day of _____, 20__.

Ambac Assurance Corporation

Attest: _____
Assistant Secretary

By: _____
Vice President and
Assistant General Counsel

By: _____
[Countersignature Agent if applicable]

Attachment 1

Surety Bond No. SB__BE

DEMAND FOR PAYMENT

, 20__

Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: General Counsel

Reference is made to the Surety Bond No. SB__BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Trustee hereby certifies that:

a) Payment by the Obligor to the Trustee was due on _____ [a date not less than one (1) day prior to the applicable payment date for the Obligations] under the Ordinance attached hereto as Exhibit A, in an amount equal to \$_____ (the "Amount Due"). The Amount Due is payable to the Owners of the Obligations on _____.

b) \$_____ has been deposited in the _____ [fund account] from moneys paid by the Obligor or from other funds legally available to the Trustee for payment to the Owners of the Obligations, which amount is \$_____ less than the Amount Due (the "Deficiency").

(e) The Trustee has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Trustee hereby requests that payment of the Deficiency (up to but not in excess of the Surety Bond Coverage) be made by Ambac under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

_____ [Trustee's Account]

[Trustee]

By: _____

Its: _____

Attachment 2

Surety Bond No. SB__BE

NOTICE OF REINSTATEMENT

, 20__

[Trustee]

[Address]

Reference is made to the Surety Bond No. SB__BE (the "Surety Bond") issued by Ambac Assurance Corporation ("Ambac"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

Ambac hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$ _____, subject to a reduction as the Reserve Requirement for the Obligations is lowered or reduced pursuant to the terms of the Ordinance.

AMBAC ASSURANCE CORPORATION

Attest: _____
Title:

By: _____
Title:

